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18 JULY 1990



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# ***JPRS Report***

## **East Europe**

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# East Europe

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## HUNGARY

### Nyers on MSZP Election, Failure, Future

90CH0231A Budapest FIGYELO in Hungarian  
24 May 90 p 3

[Interview with MSZP [Hungarian Socialist Party] President Rezso Nyers by Gabor Karsai on the eve of the first phase of the 2d Socialist Party Congress, scheduled for 26-27 May; place of interview not given: "We Found Ourselves in a Trap"—first paragraph is FIGYELO introduction]

[Text] The Socialist Party will hold the first phase of its second party congress on 26-27 May. To mark the occasion our reporter, Gabor Karsai, requested an interview with Rezso Nyers, the last president of the MSZMP [Hungarian Socialist Workers Party] and the first president of the MSZP [Hungarian Socialist Party].

[Karsai] The objective of your policy last year was to have the reformers gain control of the MSZMP's center and let the extremes break away, whereby a split within the party would have been avoided. Since the formation of the MSZP, you have again strived to assume an integrating role. In your opinion now, after the parliamentary elections, to what extent have developments borne out the soundness of that policy?

[Nyers] Developments, I believe, have proven the soundness of the political objective to steer the liberally inclined strata at the MSZMP's center toward an unambiguous policy of reform, and to have that policy recognized as a socialist policy that satisfies the conditions of our time. The political objective, in other words, was sound. But in practice we also committed very many mistakes. I would be unable to tell you now what the ratio of our hits and misses was in the runup to the congress last October, and during the congress itself.

After the congress, in the interest of clearly becoming a social democratic party, I strove to unite the various forces within the party. In October we were still at the very beginning of that process. Now the coming congress will have to consider, among other things, whether we have made sufficient progress.

[Karsai] But mainly the party's spectacular and surprising disintegration, rather than its progress, has been conspicuous during the ample six months since then.

[Nyers] That is a very summary and inaccurate opinion. The disintegration of our predecessor party of some 700,000 members has indeed been spectacular. Today I think that, at the start in October, we were truly fostering illusions about the new party's ability to separate smoothly from the old one. We believed we had succeeded in creating a party that was strong, capable of action, and right for the existing conditions, and that its organization would of course prove easy. Disappointment followed. What emerged was a party much smaller and politically more disorganized than we had expected.

By then the party was practically incapable of taking any action. The danger of disintegration did not arise then, but in the second phase—at the time of the referendum. By then the party was virtually incapable of action. In the third phase, which I count from the commencement of the election campaign, the disintegration process had already come to an end. The fact that we obtained a substantial number of votes, although fewer than we had expected earlier, will help the party to its feet, in my opinion.

[Karsai] Among the factors underlying the MSZMP's inability to take action, to what do you attribute the most importance? To external influence, by which I mean that the other parties were competing with one another in discrediting the MSZMP and in distancing themselves from it; to the disorganization and the absence of a program; or perhaps to unfortunate personnel decisions and dissension within the party?

[Nyers] All of these were very important factors. In addition to these factors, I would single out yet another one: the collapse of the ruling parties in the neighboring countries. That explains in part the exceptionally rapid acceleration of the transformation of domestic politics in Hungary, and the decline of the MSZMP's real political significance.

In this increasingly complicated and rapidly changing situation, the MSZMP was indeed unable to devise a suitable program. The crisis of identity being experienced by a significant proportion of the party's membership, due in particular to the barrage of accusations that our political opponents were firing at us, played an important role in this. The tendency to ideologize turned out to be much stronger within the party than we had decided on at our October congress. There were members who, in the spirit of transforming ourselves into a social democratic party, felt that further liberalization was necessary, while others were demanding more radical protection of the interests of the masses, against their own government. A contributing factor was that neither we nor the government was willing to face reality: the fact that by then only government by technocrats was possible, instead of politically controlled government. Thus, our being the ruling party, while at the same time we were pursuing a policy that was partially independent from that of the government, created confusion.

[Karsai] With 20-20 hindsight, would it not have been better to regard the Nemeth government as a government of technocrats, as several people advised us to do at that time?

[Nyers] Yes. I, too, opposed that at the time. But, I must admit, I was unable to clearly foresee the subsequent developments. Perhaps it might have helped some if we had declared this distinction, but it would hardly have created much difference.

Because, among other things, the reorganized MSZMP proved too weak and too small to be shouldered with responsibility for the past. The bulk of the old MSZMP's

last leadership was with us. In their efforts to establish blame for the past, that gave the emerging new political parties a good opportunity to direct their main fire at us. They succeeded in turning public opinion against us to a considerable extent, and we found ourselves in a trap. It would have been impossible for us to blame the past for everything, the way the opposition parties of the day were doing, and to make the same accusations that they were making. And it would also have been unfair to take the wind out of the opposition's sails. We could not bring ourselves to do that.

[Karsai] But should the Socialist Party not have been more farsighted, and hence more broad-minded, on certain issues? In recent months the MSZP has been attacked in many cases—on the issues of party assets and the party press, for instance—where the party's standpoint might have been legally defensible, but did not prove politically defensible.

[Nyers] Indeed, in the matter of party assets, we did reach the final solution in several stages. I think we acted with sufficient radicalism in the case of real-estate property. There was one thing in which we were inconsistent: in the matter of the county newspapers and county publishing houses. We were late in reaching the standpoint to let the county newspapers operate as truly independent papers, and we were too late in relinquishing ownership of the county publishing houses. We, or more accurately the MSZMP or its predecessor parties, established these newspapers and publishing houses, and therefore we felt entitled to them. Politically, however, we obviously were procrastinating.

I would like to mention yet another mistake that was committed last fall: the unsuccessful attempt to force the election of the president of the republic before the parliamentary elections. By the time the National Assembly scheduled the presidential election, it was already obvious that a radical change in regimes was about to take place. In that situation, it really would not have been logical to elect the president of the republic before electing the deputies to the National Assembly. Had we been more flexible then, we would not have given the SZDSZ [Alliance of Free Democrats] an opportunity to win the referendum, and perhaps we would not have been so much the targets of political campaigns.

[Karsai] A while ago you felt that the Socialist Party is already in the stage of getting back on its feet. For my part, I see only the stagnation that could go either way. I feel that the MSZP's performance in the National Assembly will be decisive. If you succeed in pursuing a constructive and genuinely social democratic policy there, and if you also gain international recognition by being admitted to the Socialist International, then with time you could become one of the major parties. Otherwise you will be swept to the sidelines of politics for good.

[Nyers] From the viewpoint of our becoming a social democratic party, it is indeed decisive that we be more

pragmatic, concern ourselves less with ideology, and recognize what we have to do to improve the living conditions of various population strata and to politically represent their interests. The demands and wishes must come from the masses, and we must represent their demands and wishes in Parliament, in the regional and local governments, and also outside them—in the trade unions, for instance.

[Karsai] Won't that lead to social demagoguery? There were already indications of it at the time when the MSZP was the ruling party. The opposition to taxing interest, and support for the demonstrations against the January price increases, for instance. Now that the MSZP has clearly assumed the opposition's role, such indications could intensify.

[Nyers] Social demagoguery has gained and is gaining ground among the masses. There is also danger of it within the party. It will certainly seep into the party, but it will not become dominant there. Because every platform within the party accepts the fact that the change of regimes must be carried out logically, and that a social democratic party must support the development of a market-based economy. Therefore we have all the available means to prevent the spreading of the demagoguery of class struggle within the party.

Concerning the tax on interest and the raising of food prices, on these issues we actually adopted the standpoint of the government's internal opposition. These were controversial issues even within the government. And the government, under the pressure of its negotiations with the IMF and running out of time, did not hold any meaningful discussion of its options with Parliament, the political parties, or the trade unions. Our opposition, therefore, was not without reason. Had we also opposed the amount of the planned budgetary deficit, that would have been demagoguery. But we did not do so. We also take cognizance of the fact that unemployment will be unavoidable, although we want to keep it as low as possible.

[Karsai] According to the document that depicts the Socialist Party's aspect and has been presented for debate before the party congress, the party regards the trade union movement undergoing renewal as its natural allies, and the workers' councils. If to this we add the demand for employee ownership that appeared on posters during the election campaign, then it is not unreasonable to expect that there might be opposition to a market-based economy. For employee ownership is of marginal significance in a market-based economy.

[Nyers] Employee ownership is a natural plank in one of the party's platforms. If we were to demand an exclusive or predominant role for these forms of ownership, that would be demagoguery. But we are not demanding it. The MSZP does not have a definite standpoint on the possible extent of employee ownership. In industries that are capital intensive and require modern technology, the proportion of employee ownership will either be small or

nonexistent. But it might have possibilities in labor-intensive industries. However, the Socialist Party will support employee ownership only if it can be implemented in conformity with a market-based economy. I admit that these objectives, if espoused by irresponsible politicians, could lead to demagoguery. Within a socialist or social democratic movement, however, it would not be proper to dismantle this kind of search for possible solutions, just because of such fears. In the experience of social movements, incidentally, demands must be radical if any of them are to be realized reasonably. The trouble would be only if we attempted to spread by administrative fiat solutions that were not viable.

(But many things have changed during the past six months. In April, there was the threat that a proportion of the reformists might break away. Now, in the wake of Imre Pozsgay's ever-newer challenges threatening to split the party, and of Rezso Nyers's slightly different, but fortunately compatible, strategy of letting the proreform forces gain control of the entire party, forcing out the "leftists" is the main item on the agenda. During his visit to Szabolcs-Szatmar County in mid-September, Rezso Nyers declared that anyone who, under the different historical conditions, felt nostalgia for bolshevism and the dictatorship of the proletariat, should not seek consensus and fellowship within the new party. FIGYELO, 5 Oct 89)

Incidentally, the modern trade unions should not be perceived as the forces of demagoguery. Trade unions everywhere in the world are close or loose allies, but allies nevertheless, of the social democratic parties. That is how it should be in our country as well.

[Karsai] What can be expected at the 2d MSZP Congress?

[Nyers] We will debate the more important questions of the party's social democratic aspect and its role in opposition. Thus, the questions of property reform, privatization, regional and local self-government, Parliament's legislative program, social policy, environmental protection, glasnost and press policy, and perhaps also educational policy will be on the agenda. Because the government's program will have just about come out by then, we too will only be able to outline our basic standpoints as the opposition. Therefore, we will be able to finalize our standpoints on these issues, and also the party's long-term program, only in the congress's second phase, to be held in the fall. Because all the other parliamentary parties are trying to distance themselves from us at present, we do not intend to dwell on the possibilities of cooperation with them.

[Karsai] How are your relations with the Socialist International?

[Nyers] As I have mentioned earlier, to gain membership in the Socialist International would truly legitimize us as a social democratic party. In my opinion, the Socialist International has been viewing the developments in East

Europe rather passively up to now. It intervened in two countries: East Germany and Hungary. In both cases it supported the historical parties, which then suffered serious defeats in the elections. Now the Socialist International will probably rethink its policy and, presumably and hopefully, it will strive to establish relations with every force of social democratic persuasion.

After the October congress, we applied for admission to the Socialist International and were granted observer status. In the present situation, in view of the fact that officially the Socialist International continues to adhere to the "one country, one party" principle, the consent of the MSZDP [Hungarian Social Democratic Party] would also be required for our admission. We are still engaged in talks to have this principle modified, considering the special situation in East Europe: After all, several parties of a social democratic nature have been formed in each of these countries. A basic element of the 2d congress's program is full acceptance of the Socialist International's policy statement. I am confident that we will soon be able to become a genuine social democratic party. And, in recognition of which, we hope to attend as full-fledged members the next congress of the Socialist International, to be held between 18 months and two years from now. But this is a process whose pace can neither be forced nor accelerated.

## POLAND

### POLITYKA Weekly News Roundup

90EP0642A Warsaw *POLITYKA* in Polish  
No 22, 2 Jun 90 p 2

[Excerpts]

#### National News

The voter turnout last Sunday was 42.13 percent. Much less than surveys (more than 50 percent) and the General Election Commissioner (more than 60 percent) had predicted. [passage omitted]

The rail strikes have ended. A communique was published which says in part: "At the meeting of the National Protest Committee of Polish Railway Workers with the chairman of NSZZ Solidarity in Slupsk on 28 May 1990 at 1320, we decided jointly to suspend the strike action and together to see that the proposals are implemented and to inform Premier Tadeusz Mazowiecki that the burden of bearing the crisis should be distributed over all of society."

In Gdansk Voivodship, a referendum on the fate of the nuclear power plant in Zarnowiec drew 388,949 valid votes or 44.3 percent of the registered voters. Of the voters, 86.1 percent were against construction of the power plant; while 13.0 percent were for construction.

The Sejm given the reservations of the Senate withdrew the legislative proposal permitting retirement for women after 35 years of work and for men after 40 years,

regardless of age at the time of retirement. A law was also adopted on retirement benefits for individuals who hold leadership positions in the state, the so-called nomenklatura. Beginning on 1 October 1990, all retirements, pensions, etc., awarded according to the previous regulations will be converted to the general regulations. If someone has not reached retirement age and is receiving benefits on the basis of the previous nomenklatura regulations, he will receive the lowest benefits (256,000 zloty). The rule also applies to individuals who held leadership positions in the parties and central offices of the cooperative bodies.

The deputies adopted a law on political parties: 182 for, 115 opposed, 30 abstentions. Political parties cannot receive support from foreign individuals and institutions. In TRYBUNA there is a discussion between W. Cimoszewicz, the leader of the social democratic deputies and Minister A. Hall. Cimoszewicz: "I am surprised at my colleagues of the Citizens' Parliamentary Club who are saying so much about the sovereignty of Poland but who advocated the support of parties from abroad." Hall: "I regard the prohibition of accepting any aid from abroad as humorous." The minister expressed hope that the shape of the law will be changed in the Senate. The deputies also decided that financing of parties is to be open and is subject to being audited (264 for, 2 against, 31 abstentions). A deputy of the Polish Peasant Party quoted the words of Primate Wyszynski: "Remember, Polish politics cannot be conducted for non-Polish money." Those present received the comment with applause. [passage omitted]

Jacek Snopkiewicz, director of television news in an interview for TRYBUNA OPOLSKA: "For some time now, we have been practically immobilized. There have been programs of which we prepared barely three-quarters, and we could not resist. The situation has reached the point where the principle of independent, objective, effective, rapidly reacting journalism has been shattered."

The brief reports in TRYBUNA list the hourly minimum wage in Poland in comparison with some data from abroad. Given the monthly minimum in Poland of 120,000 zloty and 178 hours of work, the hourly rate is about 674 zloty. The comparable data (according to NEWSWEEK): in the United States \$3.80 or, at current exchange rates, 36,100 zloty; in France, \$5.40 or 51,300 zloty; in Mexico, \$0.45 or 4,275 zloty; in Zambia, \$0.10 or 950 zloty. [passage omitted]

In Czestochowa, at the behest of the city council, the monument of Thanks to the Soldiers of the Soviet Army has been taken down. The local representative of the Social Democracy of the Republic of Poland declared: "No one can deny the crimes of Stalinism, but no one can also deny the gift of blood given on Polish soil by Soviet soldiers."

The USSR consulate in Krakow was showered with bottles of gasoline by young anarchists protesting the death of the Soviet opposition activist P. Syudy. The police intervened.

The president of Warsaw and John Kowalczyk, an American businessman, have signed a letter of intent, an initial contract, for the renovation and modernization of the Palace of Culture and Science in Warsaw. It is to become a Polish center for business. [passage omitted]

The Primate's social council in a published document opposes a referendum on the law on abortion: "It cannot be suggested to society that moral problems can be decided by voting." [passage omitted]

The Senate is losing supporters—at least that is the result of a survey by the Public Opinion Research Center. From November 1989 until now, the positive opinions of the second chamber of parliament have fallen from 86.3 percent to 64.2.

The Publishing Institute of the Trade Unions has initiated a new series: "Polish Battles." The first volume is called "Miracle on the Vistula" (1920). The next titles are "Under Pilsudski's Commands" (1916, The Legions near Kostiuchnowka), "Grodno 1939," "Monte Cassino 1944," "Lwow 1939." [passage omitted]

The Warsaw Rotary Club, which is renewing its activities in June 1990, with the permission of the Ministry of National Education is looking for students (age 16 and up) in schools in Warsaw whose knowledge of the language, level of knowledge, and culture will permit them to live with Danish, American, and Belgian families and attend school there in 1990-91. The action assumes an exchange and the parents taking advantage of it must receive a young foreigner for a similar period and also provide for his schooling in a Polish school.

**Who's Who News.** Thomas Simons (age 51) is to be the American ambassador to Poland. He is a professional diplomat, deputy secretary for European and Canadian affairs. Jędrzej Krakowski has been named ambassador of the Republic of Poland to the Republic of Korea. Dr. Eng. Zygmunt Borek won a competition for the position of chief director at the T. Sendzimir Works (formerly the Lenin Steelworks). He has recently been running a consulting firm. Dr. Hab. Stefan Meller has been named editor in chief of the monthly MOWIA WIEKI. The journal, thanks to a subsidy from the Ministry of Education, will resume publication. [passage omitted]

### Opinions

*Lech Walesa:*

(From GLOS WYBRZEZA 16 May 1990)

"I swear to you and I will do so publicly if necessary that I never was an informant nor did I ever betray anyone to the Security Services. It is true, however, that after that memorable "help me," of which I was a joint author, I was interrogated several times at the militia offices and

much was drawn out of me, but only in a political context and not as an informant. That happened only in 1971." (A fragment of Lech Walesa's dedication in his book "The Road of Hope" sent to Edward Gierek, who sent L. Walesa a copy of his book "The Interrupted Decade" in which he claims that "Kowalczyk, the then minister of internal affairs, bragged that Walesa is his man.") [passage omitted]

*Prof. Dr. Mikolaj Kozakiewicz, Sejm marshal:*

(Interviewed by M. Sroczynski, GLOS PORANNY 14 May 1990)

[Question] Can the peasant populists become the most powerful political party in the country? . . .

[Answer] If we consider that the worker's party fell apart and that Solidarity is not a party but a social movement, then one can say that the peasant populists, who are capable of becoming a unified group, already are the strongest party. But obviously, there is no proof that they have more support than Solidarity.

The latter is several times more popular than the peasant movement according to public opinion surveys. Obviously that can change in a sense. What will happen? We do not know. However, it seems unlikely to me that the peasant populists will gain an absolute majority. Winning a majority in parliament means forming a government and taking over the governing of the country. I personally do not foresee that happening.

*Col. Dr. Jerzy Karpacz, head of the Security Service:*

(Interviewed by Lukasz Wyrzykowski, DZIENNIK ZACHODNI 9 May 1990)

[Question] During the course of the television program "Interpretations," you were accused of using people from psychiatric hospitals for some operations. For me, I admit, that was absurd; nevertheless, your reaction and the reaction of Deputy Minister Pudysz, delicately speaking, was not determined enough, which led to some assumptions.

[Answer] I absolutely denied it, as you remember. I will say it differently: sometimes we just throw our hands up when we encounter such accusations. A large dose of persistent perversity is necessary to formulate some of the accusations. And should we explain, in every case, that a person does not have a hunchback? Convince millions of television viewers that the Ministry of Internal Affairs recruits insane people for its special units? As I understand, the head of the ministry has decided to ask the prosecutor to consider initiating a criminal suit for slander.

## YUGOSLAVIA

### Decision on FEC Control of News Media

90BA0147A Belgrade SLUZBENI LIST  
in Serbo-Croatian 18 May 90 pp 937-938

[Text]

#### [Law] 504.

On the basis of article 281, paragraph 1, of point 18) of the Constitution of the SFRY, in connection with article 34 of the Law on the Bases of the System of Public Information and with the Decision of the Federal Conference of the Socialist Union of Working People of Yugoslavia, the Assembly of the SFRY, at a meeting of the Federal Council on 17 May 1990, passed a

### DECISION ON TAKING OVER THE CONSTITUENT RIGHTS FOR THE PUBLIC PRESS

1. In order to realize the joint interests of working people and citizens and the peoples and nationalities of Yugoslavia in public information, the originating rights are being taken over from the Federal Conference of the Socialist Union of Working People of Yugoslavia for the following public press: the newspaper BORBA, RADIO-YUGOSLAVIJA, FILMSKE NOVOSTI, JUGOSLAVENSKI PREGLED, and the newspaper MEDJUNARODNA POLITIKA.

The program concept for the public press under paragraph 1 of this point is based on the need for assuring the timely, truthful, and objective notification of the public on events in the country and the world.

2. The public press under point 1 of this decision will perform the informative functions of interest to the Federation on the basis of the work program by which the obligations of the public press and the resources for carrying out programs are established.

The Assembly of the SFRY establishes the work program under paragraph 1 of this point.

Funds for carrying out functions under point 1 of this decision are provided for in the Federation budget.

The public press under point 1 of this decision submits a yearly report on performance of the work program to the Assembly of the SFRY.

3. The organizational form of operating of public press under point 1 of this decision will be determined in accordance with law.

4. The editor in chief of the public press under point 1 of this decision is appointed and dismissed by the FEC [Federal Executive Council] in accordance with law.

5. Supervision of the performance of activities and tasks of the public press under point 1 of this decision is carried out by the FEC.



In carrying out supervision under paragraph 1 of this point, the FEC has the right and the duty to review the performance of the informative function of interest to the Federation and give opinions, proposals, and suggestions for the execution of these activities.

6. This decision goes into effect on the day following the day of the announcement in SLUZHBI LIST SFRY.

The Assembly of the SFRY  
AS No. 1106  
Belgrade, 17 May 1990

Dr. Slobodan Gligorijevic, President of the Assembly of the SFRY

Bogdana Glumac-Levakov, President of the Federal Council

## YUGOSLAVIA

### Data on Media Coverage of Military Issues

90BA0184B Belgrade NIN in Serbo-Croatian 17 Jun 90  
p 25

[Unattributed article: "In the Grip of the Newspapers"]

[Text] A week before the resumption of the press conferences of the Federal Secretariat for National Defense, NARODNA ARMIJA published an analysis of reporting on defense and the armed forces, under the title "In the Grip of Politics." Last year, the public media published almost 70,000 items on the subject of the armed forces; for the daily newspapers, that means two items per issue. POLITIKA is in the lead (1,562 items), followed by BORBA (1,468), VJESNIK (1,334), DELO (1,234), and others. The number of reports is considerably higher than the number of incidents or events, which demonstrates the routine publication of the news and uniform reporting.

The topics are numerous, and, by percentage, they treat the army as a public institution (22.6) or deal with its relations with the former LCY [League of Communists of Yugoslavia] (11.2). Officers and soldiers are the subjects of nine percent of the published reports, followed by trials, attacks on the Yugoslav National Army [YNA], and accidents (6.6), protocol (6.4), anniversaries and ceremonies (5.5), the YNA's involvement in Kosovo (five), sports (4.6), culture (4.1), training (3.9), revolutionary traditions (3.7), the building of the country (3.3), etc.

"Hot topics" constitute a relatively small part of public attention: the depoliticization of the army (2.7), territorial defense (1.6), the demilitarization of society (0.89), and republic armies (0.1 percent). The beginning of this year brought radical changes: republic armies are now the topic of 6.4 percent of all published reports, and the army's depoliticization, 6.2 percent; the central place was occupied by the army's involvement in Kosovo, with almost a third of the items (29.6 percent). Among the latter, the Slovene and Croatian press take a markedly critical approach (40 and 25 percent, respectively, of all items), while the Serbian and Montenegrin press have a definitely positive view of it (43 and 36 percent, respectively).

The military analysts of the Yugoslav press feel that "to a considerable extent, the present concept of defense and self-protective organization is being challenged, and conversion of the defense system is being demanded." The value orientations of newspapers' messages about the YNA and defense are assessed as neutral (56.1 percent), affirmative (29.6), critical (12.5), and tendentious or malicious (2.2). The conclusion is simple: "In view of the considerable number of critical or reexamination-oriented articles and the smaller number of tendentious articles containing a carping attitude, insinuations, and all sorts of speculations in connection with the social role, organization, character, and functioning of the

army," the authors of the analysis believe, "it is certain that such options penetrated the news system from the political system. Consequently, the formation of the public news 'picture' of society's defense will also depend in the future primarily upon events in the political sector of society."

### Slovene Defense Minister on Plans for Army

90BA0202A Belgrade INTERVJU in Serbo-Croatian  
8 Jun 90 pp 51-53

[Interview with Slovene Republic Defense Secretary Janez Jansa by Milan Nikolic and Milan Laketic; place and date not given: "We Will Be Armed to the Teeth"]

[Text] All states that have an army also have a minister of the army. Slovenia has a minister of the army, but it does not have an army. That minister of the embryo Slovene army is the well-known Janez Jansa. At 32 years of age, he is not only the youngest defense minister in the world, but also the minister with the most tumultuous biography.

Just eight years ago, Jansa was a member of the Presidency of the Republic Conference of the Slovene Socialist Youth Alliance. He was publicly criticized for his proposal to establish a Slovene national army, and was transferred to the Republic Secretariat for National Defense. He learned his trade there, but because he tried too hard to carry out some of his ideas about Slovenes' performing their military service in Slovenia, he was soon left without a job. Then he joined Igor Bavcar, the present police minister, and so they jointly edited Stane Kavcic's "Journal" and published it in 1985. Jansa has worked as a journalist and publicist for MLADINA, TRIBUNA, and NOVA REVIJA, and in the famous issue 57 of NOVA REVIJA, he again advocated a Slovene national army. In 1988, a strictly confidential military document was found in his desk, and Jansa was sentenced to 16 months in prison for military espionage.

As the trial proceeded, Jansa became more and more of a national hero, and with his ascetic appearance, he was predestined to grow into a martyr to the sacred Slovene cause. Such a hero and saint could not even be a real prisoner. After only five months of weekend imprisonment, he was paroled last year on the condition that he not appear in public. Jansa, however, who became a member of the top leadership of Demos, participated actively in the election campaign. When Demos won, Jansa, after only 10 months or so, exchanged his prison cell for a minister's armchair in the same ministry he had been fired from seven years before.

The "disarmament scandal," which is still going on today, broke out less than a month after Jansa became the Slovene army minister. The decision by the Federal Secretariat for National Defense [FSND] on turning over territorial defense weapons to the army was obeyed in some Slovene opstinas, but not in others. That aroused the indignation of the new government. In the opstinas where weapons had been turned over, proceedings were

instituted to investigate who had done it, and military exercises were immediately organized in those opstinas, so that the "territorials" could be rearmed, without turning in their weapons.

### Three Military Confederate Variants

[INTERVJU] Thank you, Mr. Jansa, for giving your first interview as army minister to the Belgrade press to our newspaper.

[Jansa] I have not had the best of experiences with the Belgrade press. I gave interviews to your newspaper twice before, and there were always some mistakes. They did not even want to publish my corrections.

[INTERVJU] We hope that there will not be any mistakes this time. Who proposed you as defense minister, what are the qualifications that recommended you for this position, and is this decision consistent with your trial for military espionage?

[Jansa] I was proposed as secretary for national defense by Demos, and Lojze Peterle, the person charged with forming the new Slovene government. In addition to my education at the National Defense School and my political experience, the prevailing opinion was that I would accomplish something in this position at this time. The fact is that if it had not been for my trial, they might not have had anybody in this position at all.

[INTERVJU] In your estimation, when should the Slovene army be formed?

[Jansa] Immediately after agreement on a confederate system for Yugoslavia; actually, immediately after the adoption of the republic constitution, which we will naturally adopt before the federal one. We will negotiate on a confederation with all the federal units. That will happen very quickly. The first phase of those negotiations are talks between the leaderships of the individual republics, and the federal authorities. In my opinion, a year and possibly a year and a half will be required for either an agreement or the collapse of Yugoslavia, because there is no alternative if we do not agree on a third Yugoslavia.

[INTERVJU] How many soldiers will your army have? What will the length of military service be? Will the soldiers perform active or civil service?

[Jansa] All those things depend on the agreement on a confederation. We will respect that agreement, and we will resolve the military question on the basis of that agreement, but also our internal views as well. That internal view in Slovenia dates precisely from the time when we banned the rally of Serbs and Montenegrins in Ljubljana on 1 December 1989. There are at least three versions for resolving the military issue of the confederation. The first is the present solution, but it is unacceptable to us because the constitution is being changed. The second version is some combined solution, economically

justified, under which there would also be some confederate units in addition to the republic army. The republic army, of course, would be under our jurisdiction. The third solution is for each confederate unit to have its own independent army, which would be completely separate, independent, and not coordinated at the federal level.

[INTERVJU] Which solution do you favor?

[Jansa] I favor a combined solution, of having some joint services and units, such as the navy and air force, for example. Certain confederate bodies would coordinate these joint units in the event of an attack.

[INTERVJU] You are consequently in favor of having the joint units be the most expensive ones. But who would serve in those confederate units: young men from all the republics, or professional soldiers?

[Jansa] Professional personnel are mostly predominant in those technical units even today. Professional personnel are not being ruled out in the future units, but they will be combined with conscripts performing regular military service, and conscripts would constitute 10 percent of the personnel.

### Budget, Tours of Duty, Officer Personnel

[INTERVJU] Can you say, however, how many soldiers the Slovene army will have, or is that a military secret?

[Jansa] That depends on the agreement. In any case, even though it is said that Slovenia is a small republic, we will have a quite sufficient army to protect ourselves from an enemy, just as we are protecting ourselves at this time. As far as the means of organization is concerned, those are open matters for the time being, but Slovenes will, of course, serve in the army in their own republic.

[INTERVJU] Is it a military secret how many young people old enough to perform military service Slovenia can recruit every year?

[Jansa] No. About 15,000.

[INTERVJU] That, then, is the strength of your army?

[Jansa] No, that will depend on the number of professional soldiers.

[INTERVJU] Will Slovenes perform active or civilian military service, as you formerly advocated so much?

[Jansa] That is not the right question; the right question is whether we will have a professional or conscript army. In my opinion, it will be a combination of both, as the Yugoslav National Army [YNA] is now shyly doing.

[INTERVJU] What would the length of service be in the Slovene army? A year, or six months, as you promised in the election campaign?

[Jansa] The length of military service would be gradually reduced. It would immediately be reduced by one fourth, i.e., it would be nine months.

[INTERVJU] How many officers will your army have? The figure of about 25,000 officers has been mentioned. Will you train them in the regular Yugoslav military academies, or will you establish your own academy?

[Jansa] Both alternatives are possible. The Slovene army will have as many officers as it needs. The problem of officer personnel would disappear as soon as we had a homogeneous Slovene army.

[INTERVJU] What service branches would the Slovene army have?

[Jansa] All the ones that are needed.

[INTERVJU] And which are needed? Air force, navy, artillery...?

[Jansa] It needs all the services. The only question is how many soldiers will there be in each service. That is not a military secret; it is self-evident.

[INTERVJU] What type of armament have you planned, where will you acquire it, and with what funds?

[Jansa] If we keep only half the funds that we are allocating for the army today, we will be armed to the teeth, since we are allocating too much today—more than Serbia. (?)

[INTERVJU] What sort of budget do you plan for the Slovene army, and how much of the national income should be allocated for your own army?

[Jansa] In any case, 30 percent less than Slovenia is allocating for the army today. Slovenia is now allocating seven percent of its national income for the YNA, and we are anticipating at most four percent, and in the long run two percent, as modern developed states do.

[INTERVJU] And how much is the Slovene national income today?

[Jansa] About \$10 billion.

[INTERVJU] And you think that with only \$400 million you will start from zero, establish an army, and arm it with the most modern weapons, when today just one MiG-29 costs \$35 million, and a modern tank \$30 million?

[Jansa] Quite correct.

[INTERVJU] How do you conceive of the specific relationship of the YNA? What should the YNA do, and what should the Slovene army do, and do you anticipate any deployment of the YNA on Slovene territory at all?

[Jansa] That depends on the political agreement, because an army cannot be a political agent—that is, of course, if there is an agreement at all.

[INTERVJU] If there is, should the YNA be in Slovenia or not?

[Jansa] In that case, an army like today's YNA should not be, not by any means. If the army is reorganized, some confederate joint units will be on the territory of Slovenia.

[INTERVJU] Will the borders with Austria and Italy be secured by the confederate army or the Slovene one?

[Jansa] We are in favor of not having either army secure the border, and instead having a financial guard or the police do it, as in other states, because an armed army on a border is asking for trouble. As far as global security is concerned, it is in the confederation's interest to protect its borders. Defense of the borders is a matter for everyone.

[INTERVJU] Do you anticipate any military agreements with other armies and military blocs, for instance, the Slovene army's joining the NATO pact, since Slovenia supports totally joining Europe?

[Jansa] NATO is not just Europe; it is the Atlantic pact. So far Slovenia does not have any need to join the NATO pact. I do not know who the confederation will cooperate with: that is a matter for the joint agreement. If Slovenia is an independent state, we will conduct a neutral policy.

[INTERVJU] Consequently, you are also not thinking about cooperation with the Warsaw Pact either; are you thinking about military cooperation with other countries?

[Jansa] That depends on the requirements.

[INTERVJU] What sort of uniforms and what sort of insignia would your Slovene army wear, and who would create them?

[Jansa] Those are unimportant questions of a technical nature, which we will settle when the time comes. In any case, that matter will be changed, and it will not be as it has been to date, i.e., the present uniforms and insignia will be changed.

[INTERVJU] There are rumors that in Otocac, where you spoke with Tudjman and the leadership of the HDZ [Croatian Democratic Community], in addition to signing a "historical document" in which you condemned the decision by the FSND on turning over weapons as "unconstitutional and illegal," you also discussed possible military cooperation between Croatia and Slovenia and the adoption of joint positions with respect to the YNA?

[Jansa] No, we did not talk about that at all.

[INTERVJU] Did you think that as allies in a future army you would use proven Slovene generals and military experts, such as Bojan Polak, for example, who was credited with the illegal and unlawful purchase of weapons for territorial defense from France in the 1970's, while that scandal has never been cleared up?

[Jansa] All those people, generals, experts on military issues, and participants in the war, have been more or less included in the creation of the new Slovene military policy.

[INTERVJU] Are you thinking about any development of your own Slovene defense industry?

[Jansa] At this time we are having problems with part of that industry which produced items for the YNA's requirements in the past, but now those requirements and orders have been curtailed too much, and so that industry, especially the steel industry, is facing a major crisis. The issue of the defense industry is also an issue of a certain political decision.

### Disarmament Scandal

[INTERVJU] What do you think about all those disagreements about territorial defense, and will you respect the FSND's order to return weapons for storage in military warehouses? Will you return them after the completion of military exercises in some opstinas?

[Jansa] According to the latest announcement by the SFRY Presidency, that issue has been resolved for the most part. The statement by the SFRY's supreme command says that this is not a matter of taking away weapons, but of appropriate security. In our estimation, those weapons were appropriately secured previously, and can be returned to the warehouses where they were before. There is no reason for those weapons to be in warehouses secured by YNA units. We have already returned those weapons, not because there was a conflict between the supreme command and us, but because they had to be in the warehouses they were in before.

[INTERVJU] These are mostly light infantry weapons. Did they really merit so much fuss?

[Jansa] It is true that they were light infantry weapons, but for us that is primarily a political issue, and not a military one.

[INTERVJU] The newspapers announced that some opstinas refused to turn in the weapons, and so in Sevnica and Brezice the territorial forces were called upon to defend the weapons by force?

[Jansa] That was on orders from Belgrade. Now those weapons are in warehouses that are protected, some of them even physically, for instance, at militia stations. At the time they were transferred, territorial defense could not have obtained them because the decision on that was made by the Fifth Military District.

[INTERVJU] Wasn't that transfer of the weapons in accordance with federal law?

[Jansa] There are various interpretations. This has to do with an order by the army, although it is clear even to a layman that this involves key issues in mobilization plans.

[INTERVJU] What is your current relationship with the YNA like?

[Jansa] In cooperation with the FSND, we are preparing a civil defense fair in Kranj. In addition to that, we are cooperating daily with the armed forces and doing a number of things for them without which they could not exist. I am thinking of mobilization, sending people into the army, etc. We invited all of the territorial defense commandants and republic secretaries to the Kranj fair, but we do not know whether they will all respond.

### Sigurimi in Ljubljana

[INTERVJU] This question is more for police minister Bavcar, but it also applies to you. What do you think about the increasingly more widespread claims that the Sigurimi [Albanian secret police] has a very strong base in Ljubljana, and that all of the separatists' plans are devised here, from poisoning children to the strikes and demonstrations in Kosovo?

[Jansa] To the best of my knowledge, I can only say that the Sigurimi does not have any strong base in Ljubljana. Everything that has been written in the newspapers in Serbia and by Lazanski in Zagreb, whom I know personally, equates the Democratic Alliance of Kosovo, which is registered in Ljubljana as a political party, with a Sigurimi base. If that were true, all of the 15,000 Albanians in that party would be working for that service. I cannot talk about something I do not have any facts about. I can only say that all of those members were superficial and did not have a single name.

[INTERVJU] They not only had names, Mr. Jansa, but also addresses. Immediately after your arrest, the Stanovnik scandal erupted on the Slovene political scene, followed by the Kucan scandal, and then the Bavcar scandal. You accused Stanovnik, Kucan, and Smole of knowing about your arrest.

[Jansa] I am not going to comment on that any differently than I did in the past, because that was logical in such a previous structure, in which the police had ties to the ruling party.

[INTERVJU] At the youth congress in Portoroz last year, and immediately after the April elections, you accused Milan Kucan and Smole of participating in the preparations for your arrest.

[Jansa] I only stated my convictions. That will be best established, however, by the Slovene Assembly commission that has been reconstituted to investigate the entire case...

[INTERVJU] How can you comment on the moral somersault by Joze Smole, who said after your imprisonment that he had been informed of your arrest before it happened, but denied it two months ago, during the election campaign?

[Jansa] He was in trouble, and was looking for an excuse.

[INTERVJU] Will the Slovene army rely on Tito's concept of nationwide defense, or not?

[Jansa] The concept of nationwide defense has been rejected most of all in recent years by those who cite Tito.

[INTERVJU] Does this mean that the concept of nationwide defense is obsolete?

[Jansa] No, some aspects of it are still relevant, but it is being abandoned by the army leadership, by treating territorial defense in recent years in a way that is completely opposite to Tito's concept of nationwide defense. The very name of territorial defense indicates that the republics have the right to make decisions on territorial defense, but in the last two years that has been tied to the General Staff, which is contrary to the constitution.

[INTERVJU] Will your Slovene army rely on Tito's concept of nationwide defense?

[Jansa] The Slovene army will certainly make use of some experiences from nationwide defense, not only Yugoslav experiences, but others as well.

[INTERVJU] The concept of nationwide defense was based on the idea that nothing should take us by surprise, but everything has been taking us by surprise, even when snow fell in the middle of the winter. Will you keep that slogan?

[Jansa] I never adhered to that, because that slogan is not the basis of that concept. Those are merely empty phrases. The Yugoslav army was modeled after the Soviet one, and to date has not changed. There have been changes from time to time, but the basic structure has remained the same, and has never been adapted to the concept of nationwide defense. There are a lot of good things and bad things about that concept. For instance, the illusion that everyone has to be included in that system, because that is pure militarization.

[INTERVJU] Should Slovenia have nuclear weapons, in addition to nuclear power plants?

[Jansa] No, that does not contribute to security. The essence of the Slovene army will not be enthusiasm or nationalism, but professionalism.

[INTERVJU] What is your attitude toward Tito?

[Jansa] Historical.

[INTERVJU] Is he your commander in chief, as many people still treat him and call him, even though he is deceased?

[Jansa] That is nonsense. [Box, p. 53]

#### Jansa's Army

We found answers to the questions that Jansa evaded in our interview in the latest issue, 95, of NOVA REVILJA, all 300 pages of which were devoted to independent and autonomous Slovenia. That issue also contains Jansa's article on the Slovene army.

Jansa writes that Slovenia can support a regular conscript peacetime army of 20,000 people, which would be composed of 5,000-6,000 professional officers and 12,000-15,000 recruits. The ground troops would constitute the majority (16,000-17,000), followed by the air force (2,500), and the navy (1,000). All in all, with the reserves, according to Jansa, Slovenia, in case of war, could raise an army of 190,000 people. The area of Slovenia would be divided into three-four operational areas, with about 12 divisions and 10 special ground forces brigades, several aircraft (helicopter) squadrons, and naval units. The personnel for the air force and navy would be trained in other Yugoslav republics—and abroad.

Jansa proposes that a ground forces academy be established at one of the Slovene universities. The new army minister proposes that everything should be rounded out with a Slovene defense industry for infantry, antiaircraft, and antiarmor weapons. He also promises to cut military service to only six months, but does not explain where 30,000 troops a year will be found in Slovenia. The only difficulties that Jansa foresees are in dividing up the weapons and equipment of the present Yugoslav army when it falls apart.

## BULGARIA

**Independent Trade Union Official on Personnel, Organizational Problems***90BA0190B Sofia TRUD in Bulgarian 20 Jun 90 pp 1-2*

[Interview with Mladen Mladenov, deputy chairman of the KNSB [Confederation of Independent Trade Unions in Bulgaria], by TRUD; place and date not given: "A Difficult Parting With Trade Union Nomenclatura"]

[Text] [TRUD] We already published "Basic Stipulations Governing the Structure and Functions of the Municipal Trade Union Councils," which was approved by the KNSB [Confederation of Independent Trade Unions in Bulgaria] Coordination Council. Actually, what kind of agency are we talking about? Why was it established? Was it needed more by the trade union organizations or by the confederation? Does this not once again and unnecessarily expand the trade union structures?

[Mladenov] As we know, the KNSB Constituent Congress was an impossible attempt at preventing the breakdown of the Bulgarian trade unions. We decided to adopt new values, such as abandoning the centralist structure in the trade unions, self-determination and independence of trade union organizations, and introducing the professional principle as a characteristic feature of true unionism.

The activities of the present municipal councils of the NBPS [probably Independent Bulgarian Trade Unions] will no longer be functional as of 30 June of this year. As the offspring of the brutish and sterile disputes concerning the territorial and sectorial principles in the structure of the trade unions, their time came to an end. In determining their fate, the congress was categorical: We need a new type of territorial authorities in the spirit and logic of the changes.

[TRUD] But is it not true that a great many autonomous national unions, federations, and syndicates were established precisely on the basis of the professional principle?

[Mladenov] Yes. United within the KNSB, so far they consist of 62 autonomous formations with more than 3.7 million members. However, the common interests of the trade union members are manifested and defended not only on the national level; the working people in individual areas and municipalities also have their own specific interests. A number of important problems exist in the areas of employment, trade union policies, and so forth, which will be resolved by the territorial state authorities. On the other hand, the national union of economic managers, as a partner in collective contracting, is setting up its own societies by municipality. All of this requires changes in the statutes of the trade union territorial authorities. It is a question not of a superior or a leading authority but of coordinating on the

level of the territory, of combining the interests and achieving unity and cohesion in trade union activities.

[TRUD] What is basic in the "Fundamental Concepts...?"

[Mladenov] After a debate and a rather sharp clash of opinions, last 17 May the KNSB Coordination Council approved "Basic Concepts on the Structure and Functions of Municipal Trade Union Councils." These are organs of the KNSB that will represent it on the territory of the corresponding municipality. They are not established on any kind of pseudovoluntary basis. If a trade union organization has joined a certain syndicate, association, or federation that is a member of the KNSB, it would be inappropriate for it to be asked to be a member of another authority, voluntarily at that. Such an approach would isolate the territorial authorities from the confederation and the trade union formations. The chairmen of the basic trade union organizations on the territory are ex officio members of the municipal trade union councils. Representation in their coordination councils is based on professional features. Thus we avoid duplication and lack of coordination. We combine the territorial with the sectorial principles, at which point the specific problems of the various sectors or territories stand out. These authorities are empowered to represent the trade union organizations, whose rights and interests in the labor area, social services, employment, ecology, and others they are defending. The wages of the municipal trade union council chairmen will be paid by the KNSB Coordination Councils; those of the remaining experts and personnel, if such are appointed, will be provided by the basic organizations on the basis of reciprocal agreements.

[TRUD] Many municipal trade union councils have already been established. Are they something new or something old that we had somewhat forgotten?

[Mladenov] The principles of trade unionism not only broke down the old organizational structures but also put to the test the way of thinking and views of trade union leaders. Unfortunately, many of them failed. They hastened to surround themselves with "loyal" chairmen of basic trade union organizations and, making use of democratic procedures, to ensure their own reelection, regardless of past results.

Sixty-two percent of the former chairmen of municipal councils of the National Bulgarian Trade Unions were reelected in the 184 municipal trade union councils, or 68 percent of their total number. Many of them have been holding these "positions" for more than six years. The first question that concerns these colleagues is how many full-time workers and technical assistants will the newly established authorities have. The other one, ignoring the position of the consultative council of the KNSB, the people hastened to set up so-called municipal trade union associations by putting pressure on the trade union aktiv or with the help of a small percentage of municipal trade union organizations. This, however, did

not prevent them from declaring themselves the heirs to the financial and material possessions of the municipal trade union councils and coordinators of the KNSB.

[TRUD] It turns out, therefore, that the trade union nomenklatura is calmly reproducing itself within the new syndicates.

[Mladenov] Furthermore, prerequisites were created for the failure of the basic ideas and resolutions of the KNSB Consultative Council Congress, related to the new organizational structures. There is real apprehension that in some places a formal approach has been adopted and that unsuitable people have been nominated to be chairmen of the municipal trade union councils and KNSB coordinators, people whose managerial habits and stereotypes have nothing in common with trade unionism. At its session, the KNSB Executive Committee discussed this situation with concern. We are appealing to the trade union aktiv in the municipalities to display exigency and accuracy in the choice and selection of municipal trade union council chairmen-coordinators. We must not allow the reproduction of the old structures. The trade union members demand leaders and units that will truly defend their interests. We must not allow another "inflation of personnel" within the trade union system.

[TRUD] Regional centers for trade union protection are already being established. Is there any danger that they may "cross swords" with the municipal trade union councils?

[Mladenov] These centers are specialized KNSB units that provide services to the trade union members—hence the essential difference between them and the municipal trade union councils. They are not some kind of authority and have no right to make decisions in the name of the trade union organizations, which would be valid to the latter. They will perform consultative and expert work essentially in the area of labor law, employment, skills, living standard, and social security.

Therefore, it is not a question of "crossing swords" but of interaction between the municipal trade union councils and the trade union protection centers. This interaction will be based on the rules governing the development of the centers, which will work on the basis of orders and requirements formulated by the trade union organizations, their agencies, and individual trade union members, including the municipal trade union councils. Outside of their defined consultation-expert activities, for which they will not charge, they can work with the municipal trade union council and the basic trade union organizations on a contractual basis in implementing target assignments. The problems with which the municipal labor protection and social insurance inspectorates of the municipal trade union councils of the National Bulgarian Trade Unions will be dealing will be assumed by these centers, whereas the municipal trade union councils will continue to exercise the functions of the

municipal trade union councils of the National Bulgarian Trade Unions as the territorial authorities, in accordance with the Labor Code.

[TRUD] In that case, what will be the first task of the municipal trade union councils?

[Mladenov] It would be difficult to say. The problems are complex and specific for each territory and sector and must be resolved as assessed by the respective coordination councils in the local areas. We reject the idea of prescriptions. One of the urgent problems is the conclusion of agreements with the municipal people's councils, the territorial agencies of the National Association of Economic Managers, and so forth. There are urgent problems relative to jobs for the working people in the municipalities. The trade union councils must develop their policy on such matters and implement it. In the past, a great many unfinished projects had piled up in the areas of satisfying the needs of the working people of the individual territories, social and health services, environmental protection, and housing policy. Also very important is the management of trade union material and technical facilities on the municipal level as well as giving assistance to the trade union houses of culture and recreation.

Unquestionably, however, the permanent task of the municipal trade union councils, as authorities of the KNSB, will be their daily efforts to assert the new principles of trade unionism, establish strong ties among trade union organizations and agencies, and engage in joint trade union activities in defending the interests of trade union members and their territorial organizations.

## CZECHOSLOVAKIA

### Use of Land, Other Properties Summarized

90CH0164D Prague HOSPODARSKE NOVINY  
in Czech 11 May 90 p 4

[Article by Petr Liska, Dr. of Law, Federal Ministry of Food and Agriculture: "Use of Land and Other Property"]

[Text] Due to their complexity and particularly due to the fact they gave preference to utilization relations over ownership relations, former legal regulations created an extremely involved situation in the use of land. As a first step toward correcting this state, the Federal Assembly passed Law No. 114/1990 Sb. on 19 April that amends and completes Law No. 123/1975 Sb. on the use of land and other agricultural property to ensure production in the version of Law No. 95/1988 Sb., and which came into force on 1 May 1990.

Law No. 123/1975 Sb. on the use of land and other agricultural property was primarily adopted in order to strengthen and increase the rights of agricultural organizations in using land and other agricultural property owned by citizens and nonsocialist organizations. The Law was based on government statute No. 50/1955 Sb.



on some measures to ensure agricultural production, according to which national committees could assign land and other agricultural property (buildings, livestock and operating equipment, etc.) belonging to citizens who for various reasons were not fulfilling or could not fulfill the obligation connected with proper utilization, to be used by agricultural organizations. However, in some cases the national committees did not follow required procedures, and the provisions were misused in relation to owners.

The law on the use of land and other agricultural property stipulated that land and agricultural property assigned in this way were to be used by the agricultural organizations in accordance with the right of use to ensure production. Furthermore, it stipulated that the right of use to ensure production also applied to lands which agricultural organizations had used without legal title up to 1 January 1976. This clearly shows that the law does not regulate the use of all agricultural land, as the public sometimes erroneously believes, but merely a certain part of it. From the documents, it is not possible to determine the exact amount of land to which the law applied but, generally speaking, it is estimated that it constitutes approximately 20 percent of the land used by agricultural organizations. Agricultural organizations use other lands primarily in accordance with the Law on Agricultural Cooperatives, the Commercial Code, etc.

The amendment to the law therefore cannot resolve the whole problem of utilization and ownership relations to land. These are merely transitional and temporary measures which have two main aims. First, to make it impossible to expand further the institution of the right of use to ensure production, and second, to facilitate the return of lands and buildings used by an agricultural organization to their owners, should they so desire.

Thus an innovation of the law is that it does not permit the national committees to establish the right of use to ensure production. If an owner does not sufficiently utilize his agricultural lands, the appropriate measures according to the regulation on the protection of agricultural land resources may be used, and apparently a flexible taxation and payment system can be created to ensure the society's interests in using agricultural lands.

However, the focus of the amendment is primarily in the provisions in Section 12 and Section 12a, which regulate the revocation of the right of use to ensure production. The law newly establishes the Okres national committee's obligation to revoke the right of use to ensure production, if the owner requests it. In the interest of ensuring the rightful needs of society, it is stipulated that agricultural lands may only be returned for agricultural use, and the time they may be returned is set after harvest unless the owner and the agricultural organization agree otherwise. It is also possible to conclude a contract on the extent of the returned lands; but, if no agreement is reached, all the lands are to be returned.

In some instances, however, it will not yet be possible to return specific lands to the owner. The law furnishes a list of such cases, which cannot be expanded. There are four groups of cases.

First, there are lands where structures belonging to the agricultural organization were erected. Second, there are lands that have permanent growths, planted by the agricultural organization. Third, there are lands with improvements by the agricultural organization. The fourth group includes inaccessible lands; these are primarily lands incorporated into a hunting area to which no access path can be constructed.

In these cases the Okres national committee will not revoke the right of use to ensure production. However, this does not apply if the agricultural organization and the owner conclude a contract through which some of the above-mentioned problems are eliminated. Primarily this means the possibility to purchase a building or growth. Furthermore, if the national committee renders a negative decision, the owner may assert his right of appeal to the Okres court.

If any of the above-mentioned reasons make revocation of the right of use impossible, the agricultural organization must follow the procedures stipulated by the law in respect of the owner. Firstly, it must offer to exchange his land for other land equivalent in size and value, which it legally owns. If it does not own such land it is obligated to offer suitable land at least for his temporary use. The main reason for the temporary nature of the offer is that, with the passing of time, the conditions may change and it may become possible to return the lands to the owner, for example, if the owners of the surrounding lands come forward and thus his lands become accessible. Also one must bear in mind that often the lands of a third party who, for instance, placed it in cooperative ownership, are transferred for temporary use.

If the agricultural organization cannot transfer lands for temporary use, or the owner disagrees with the transfer, the agricultural organization is obligated to conclude a contract with the owner on the temporary use of his land against payment (so-called tenancy). This contract may be cancelled unilaterally on 31 December with a five-year notice. The law, naturally, could not ignore the possibility of the agricultural organization concluding a contract with the owner to purchase his lands. The right of use will be revoked through an agreement on the temporary use of the land by the agricultural organization, as well as through a contract on the sale of the land. The terms of the contract on temporary use of land are regulated primarily by the Civil Code, and the agricultural organization may continue to use the lands on the basis of a contract and not in accordance with this law.

The right to restitution of a farm building or other structure used by an agricultural organization according to this law commences with the submission of an application by the owner to the Okres national committee. The right to use a developed area with a yard, or an

adjacent garden will also be revoked through a decision that revokes the right to use a building. At the same time, the agricultural organization must return the building in a state commensurate with normal wear and tear. Unless the agricultural organization agrees otherwise with the owner, it must repair a depreciated building, or, on the contrary, if it was upgraded, the owner must provide appropriate compensation to the agricultural organization.

The aim of the amendment was to create conditions enabling every owner of lands or buildings, used in accordance with this law to assert his ownership rights and request the return of his landed property in accordance with his interests and needs. However, until such time, the agricultural organization must use these lands according to best farming practices and take proper care of the buildings; at the same time, the law substantially limits the right to dispose with the property without the consent of the owner. The law will be annulled as soon as all owners have asserted their right to the lands and buildings.

### State Investment Participation Discussed

90CH0224C Prague HOSPODARSKE NOVINY  
in Czech 23 May 90 p 5

[Article by Eng. Vladimir Jarabak, Federal Ministry of Finance: "On Investment Subsidies: State Participation in Enterprise Construction"; the author is presenting his personal view, not the official position of the Federal Ministry of Finance]

[Text] One form of state participation in the financial system is state budget subsidies for capital investment. There must be fundamental changes in the current handling of these subsidies, from the procedure for granting them to their overall concept and function. Considering the complexity of this issue and also because many questions related to the transition to a market economy have yet to be clarified, the author considers it worthwhile to spend some time discussing the problem.

Presently the volume of state budget investment subsidies for a given central agency are established as a binding annual financial limit, a total amount, with the determining factor being the state capital construction plan. This has normally meant that when internal financial resources and bank loans have not covered planned investments an investment subsidy was established to cover the shortfall.

### A New Concept

Today it is absolutely essential to develop a new concept of and more appropriate delivery systems for a subsidies policy. The system of state budget participation in capital construction should be restricted to state participation in projects that the market mechanism cannot provide in the requisite amount or quality. This involves mainly public and national affairs and services such as

environmental protection, infrastructure development, health care, social security, and similar areas.

In the field of capital construction, in addition to the smooth implementation of market relationships and utilization of money market instruments (credit, bonds, stocks, etc.) plans call for participation of the center with its own mechanisms. These should be used to influence the innovation process in the direction of products for which there will be a future demand, export activity, and convertible currencies.

It would therefore be desirable for the state budget to participate in the financing of selected investments that help implement national strategic economic policy objectives while assuring and focusing structural adaptation processes. In most cases this would mainly mean supporting large development investments related to economic growth and essential changes in economic structure. This is related to the creation of opportunities for the functioning of economic mechanisms—taxes, credits, depreciation, and prices. Central mechanisms should also play a role when there is a need to eliminate larger risks, improve our balance of payments, develop specific sectors, etc.

Even a market economy requires central regulation to assure macroeconomic equilibrium, the ongoing vitality of competitive structures, and improved efficiency. From the macroeconomic viewpoint this mainly involves supplementing the money supply, while from the forward looking perspective it means expanding the sources for money to supply the capital replacement process, thereby reducing state participation.

### Forms of Budgetary Participation

State budget participation should take several forms:

- Providing investment subsidies for selected, priority investments (ecology, infrastructure, defense).
- Providing loans.
- Making interest payments on existing bank loans.
- Facilitating accelerated capital asset depreciation.
- Assuming guarantees for bank loans (here the state would not provide resources immediately, but must be ready to honor the guarantee to a bank).

This new conception of the state budget makes clear the need to establish guidelines for providing state budget resources for capital investment by economic entities. This means mainly identifying specific, major objectives for which the state budget might provide resources.

The most significant form of state participation in the financing of capital investment should be nonrepayable subsidies. They should be granted for a specific purpose only for a limited number of selected, priority projects, as individual subsidies. In the new conditions they

should be thought of as extraordinary sources, and enterprises should expect to obtain them only for those projects which will have an actual impact.

A separate group of nonrepayable subsidies should be set up for environmental protection, infrastructure development, and projects of a national character. In addition, when nonrepayable subsidies are provided we should consider investor commitment to the completed project, so that in its early stages we can assure its maximal utilization, the quickest possible return on invested resources, including national resources.

In addition to nonreturnable subsidies we should also make available repayable financial assistance in all instances where it is economically desirable and when it appears that the recipient firm will be able to repay the loan in a reasonable time frame. We should also consider placing interest charges on these subsidies. The issue of repayment must always be associated with a clear agreement concerning repayment conditions.

State budget participation in investment financing must also come to be viewed as an entrepreneurial activity, in which the state provides resources in the expectation of assuring future revenues for the state budget.

### Ecology and Infrastructure

In the first place state budget subsidies should be provided to solve ecological problems, i.e. to support environmental protection. Subsidies for infrastructure development and for structural changes in industry should have second priority. The state budget could provide resources for:

1. Individual subsidies for specific investment projects previously evaluated and approved by the Czech and Slovak Federal Republic [CSFR] Government. The top priority group would include investment subsidies for projects such as:

- Facilities and equipment for the safe disposal and detoxification, or use, of community and industrial waste.
- Facilities and equipment to maintain air quality (mainly to desulfurize large electric power plant emissions).
- Facilities and equipment to maintain waste water purity (mainly selected waste water treatment facilities).

State budget subsidies should be allowed to account for up to 90 percent of the costs of such projects.

Another group would include individual subsidies for investment projects related to the strategic and structural objectives of the state, and which entail exceptional risks, while at the same time providing a source of innovation and increased export activity.

2. Systemic subsidies, which would be approved by the appropriate government from the appropriate state budget. This would be set as a rate (percentage share) of total investment costs based on the purpose and nature of the construction project. This percentage would represent the maximum subsidy available from a state budget for such a project.

Systemic subsidies would relate to important ecological investments monitored by the appropriate governments. These projects would be eligible for subsidies both from state budgets and from state funds. The amount of a state budget subsidy would be expressed as a percentage based on the ecological importance of the investment and, for specific projects, might reach up to:

- 50 percent of total costs for projects related to the safe disposal or use of wastes.
- 40 percent of total costs for projects related to air quality preservation.
- 30 percent of total costs for projects related to water quality preservation.
- 20 percent of total costs for projects related to facilities for the manufacture of new machinery, equipment, or products that promise to have an important economic impact.

For this group of systemic subsidies for important ecology related investments, no subsidy rate would be set in advance. Instead, the amount of the subsidy would depend on the importance of the project and the conditions under which state fund subsidies would be provided.

### Basic Conditions

Investment subsidies must be considered an extraordinary resource under a full market economy. They should be provided on a limited basis and only when other sources of capital have been fully utilized. These include internal enterprise resources, investment loans negotiated with an investment or commercial bank in accordance with the currency policy of that bank, the merger of resources with other firms and, where possible and efficient, the use of money market mechanisms (bonds, stocks). Subsidies should be provided with a view to the actual resources of the state budgets of the federation and of the republics.

### Future Retail Price Relations Discussed

90CH0224F Prague HOSPODARSKE NOVINY  
in Czech 23 May 90 pp 1, 4

[Article by Eng. Jana Furstova, Federal Price Office:  
"We'll Get Used to It"]

[Text] The interest of the knowledgeable public in the area of prices is focused presently on the intensifying discussion of how rapidly to implement an essential reform of retail prices. Laymen, on the other hand, live

rather in the expectation that prices will begin to fluctuate rapidly, then get bogged down in fears that this will have a negative impact on their still tolerable standard of living (if we make our comparisons with the East). In the shadow of these pressing problems there remain less important, but for consumers significant changes in the retail prices of goods and services which are the result of the first tentative steps our economy has taken to create market conditions.

The elimination of a few mammoth general directorates of business organizations last year created, within the sectors run by the ministries of commerce and travel, more than 100 more or less specialized businesses. This year still more will be founded. These enterprises right now are facing the tough economic reality requiring that they be managed completely independently. The awareness that no supervisory office will make up for poor management the next time and that domestic and foreign competitors are entering the market will in time force these firms to engage in more effective business practices, including the use of marketing and pricing that reacts flexibly to changes in supply and demand.

The relatively narrow range of opportunities that currently exist for such flexibility reflect the narrow range within which market relationships currently function and the still insignificant instances of budding competition. Nevertheless the consuming public is already noting that the completely orthodox adherence to fixed retail prices that has been the rule can no longer be assumed. Buyers have been accustomed to one product, regardless of the firm that produces it, having the same price everywhere in the republic. This iron law is softening gradually and consumers have no choice but to accustom themselves to finding the same product for different prices in different stores.

Opening the doors of the republic to the world has allowed many Czechoslovak tourists to learn about the array of consumer prices in Western countries. For some tourists it has been a shocking realization to learn that the same product, which is sold for an outrageous price in a luxury shop on the main street can also be found in a simple department store on the outskirts of town for a price several times lower. We are less conscious of differences in product quality, store location, the social makeup of the customers, etc. Until one becomes accustomed to these realities he wears out his shoes running from store to store with the sole objective of buying everything as cheaply as possible. The domestic consumer sometimes experiences the same thing.

In our country, on the other hand, differing retail prices are still isolated occurrences which will become more common as markets develop further and liberalization expands. It is already common to encounter differing retail prices for:

—products sold in second hand stores;

—generally available products the prices of which are lowered to overcome poor sales by the manufacturer or stores;

—products sold by internally owned, at present peripheral stores belonging to production, marketing, and nonproduction organizations;

—imported consumer goods;

—products priced according to contracted retail prices.

Today no one even comments when a product designated for a clearance sale is sold with differing discounts in different stores or when some stores leave it at the list price longer than others. By the same token, business organizations are completely free to reduce preferential retail prices of fashions and of products sold exclusively in a specialized network (Luxus, ESO, Safir, Bohemia, and others) and stimulate consumer interest by reducing retail prices before the season is over.

New regulations valid as of 15 February 1990 (Decree No. 22/1990, Laws of the CSFR, concerning price formation and control, and decree No 35/1990, Laws of the CSFR, concerning contractual prices) have significantly enhanced the possibilities for organizations to change retail prices.

The decree on price formation and control applies to all prices established as maximum prices under designated regulations by a price office or organization authorized by a price office to do so, and allows them to be reduced. A producer can offer lower prices to selected customers to stimulate sales of a product, or reduce both the wholesale and retail price of a product for all its customers. If a store accumulates stocks of a product in its warehouse the store can reduce the retail price until it gets rid of the excessive inventories. This is another possible source of differing retail prices for the same product. We will encounter additional instances of differing retail prices in smaller sales outlets managed directly by producers, by sales or other nonproduction organizations, by private individuals or local management organizations.

A barrier to the slavish uniformity in retail prices of imported consumer goods was demolished by the introduction of active duty payments on 1 January 1990 and the modification of exchange rates as of 8 January 1990. These measures had a direct impact on retail price levels of both new and existing imported goods. If the old principle were still to apply, namely that the retail price of a good the first time it is imported cannot change when it is imported subsequently, enterprises would have to pay for the losses incurred by the active payment of duty and the exchange rate adjustments. Prices cannot play their desired role as regulators of supply and demand unless there is a direct relationship between a procurement price reflecting the actual conditions of importing and the retail price. An exception are imported products that have been in short supply for a long time and that meet a basic need (such as children's

clothing and footwear from China and developing countries, and basic foods), for which for obvious reasons stable prices will continue to be maintained.

Contracted wholesale prices which, with few exceptions, allow retail prices to be quite different, are of fundamental importance to the coming liberalization. Their level depends on market conditions, and businesses can freely raise or lower them. Price offices will only generally monitor the scope of these changes and designate rules to regulate them only in justified instances. We are encountering such prices today in glass, ceramics, costume jewelry, small wood and metal products, some cosmetics, kitchen appliances, brush and basket products, books, custom products, certain synthetic textile products, flowers, imported goods exchanged directly between foreign trade organizations, etc.

In services, contracted wholesale prices apply mainly to temporary lodging and restaurant food operations in the higher classes and groups, and to certain personal and repair services. Finally, the most effective contractual price system has been implemented for the products, services and labor delivered by citizens based on permits issued by national committees. Foreign firms as well as Czechoslovak entrepreneurs can price their products and services according to the same unlimited scope of contractual wholesale prices.

The scope of contractual wholesale prices is constantly expanding in a programmed way in conjunction with the gradual development of competitive conditions on the Czechoslovak domestic market. Price liberalization will also be accompanied by a diversification of the domestic market, by the appearance of a wide variety of retail stores offering a range and quality of services to meet the specific tastes of different groups of customers. Differences in business conditions, in other words, require and at the same time strengthen differences in retail prices.

### **Agrobank Services Explained to Public**

90CH0224A Prague ZEMEDELSE NOVINY  
in Czech 26 May 90 p 5

[Interview with Eng. Jan Kral, managing director of Agrobank, Incorporated; Eng. Jiri Bek and Eng. Eva Petrickova; Eng. Karel Jelinek (Brno branch); Eng. Jozef Spisiak (Zvolen branch); Eng. Josef Subert (Usti nad Labem regional Agrobank); and Eng. Jindrich Nowak (Ostrava regional Agrobank); place and date not given; prepared for publication by Stanislav Ptacnik: "A System Called Agrobank: Banking Services as Accessible as Possible to Rural Clients"—first three paragraphs are ZEMEDELSE NOVINY introduction]

[Text] Agrobank Prague, a stock company [hereafter Agrobank, Incorporated, or Agrobank] was established this past March. It faces two basic tasks: supporting entrepreneurial initiatives and the development objectives of economic entities in the agro-food complex, while simultaneously providing a full range of banking services to enterprises and rural populations.

The creation of a strong central entity is only the first step. For Agrobank to truly be able to support food producers and inhabitants of rural areas it must work with them, pound the pavement for clients. This is the objective of "System Agrobank", which calls for the development of an extended network of branches and regional Agrobanks throughout the republic, located primarily in areas with concentrations of agricultural production.

We interviewed representatives of some of the preparation committees for these branch and regional Agrobanks concerning the practical steps that have been taken towards the creation of this system. Participants from the Prague central bank were Eng. Jan Kral, managing director of Agrobank, Incorporated, Eng. Jiri Bek and Eng. Eva Petrickova. Representatives from the preparation committees were Eng. Karel Jelinek (Brno branch), Eng. Jozef Spisiak (Zvolen branch), Eng. Josef Subert (Usti nad Labem regional Agrobank), and Eng. Jindrich Nowak (Ostrava regional Agrobank).

[ZEMEDELSE NOVINY] Let's begin from the beginning. How would you characterize, in a nutshell, for our readers the purpose and mission of System Agrobank?

[Kral] The system will be tied into the new banking system that is being formed. Most importantly, it will provide an alternative to the existing monopolistic credit relationship with the former Czechoslovak State Bank, now called a commercial bank. The overall objective is to improve the quality of banking services in a competitive environment.

[Bek] We want to offer a broader range of services for rural customers than is provided by the current banking system. We will use our branch offices to go after clients in towns and smaller villages.

[Spisiak] Considerable opportunity exists as well for various consultative and advisory services. We should be able to advise enterprises and citizens both where to invest and which areas do not hold much prospect for success.

[Jelinek] Training enterprise managers to make decisions based on economics will be an important precondition of the transition to a market economy. In the same vein, the integration of the interests of producers with the interests of investors promises to be much more advantageous than the current system of administrative management of farmers by territorial committees of the Ministry of Agriculture and Food and food producers through the economic production unit [VHJ].

[Kral] To sum up, our objective is to fully implement monetary criteria in the management of the agro-food complex.

[ZEMEDELSE NOVINY] Clearly it will not be simple to set up a smoothly functioning system of branches and

regional banks. What approach have you chosen to accomplish this? Can you share with us any initial experiences or results?

[Subert] In Usti nad Labem we initially set up three preparation offices. Eventually we merged these groups into a single preparatory committee. This committee includes representatives from the former Ministry of Agriculture and Food committee and banking experts. We obtained commitments of basic capital from enterprises through territorial committees, and informed local residents of our activities in the daily paper and on the radio. For a building, we succeeded in acquiring the former headquarters of the regional firm ZZN. We plan to use the existing network of centers and offices of procurement organizations for Agrobank branches, probably initially with afternoon and evening office hours. We provide other services as well. In the future we plan to offer exchange services. After all, our region borders the GDR, which is a country that may soon have a hard currency. We want to begin operations on 1 January 1991. In the third quarter we will convene a stockholders meeting to establish the firm.

[Nowak] We have focused mainly on personal visits to well managed enterprises. We think it realistic that we will sell about Kcs100 million of stock. We would like to acquire additional resources both in traditional ways, such as enterprise deposits and savings accounts, as well as in nontraditional ways such as credit cards, automated teller machines, and the like. All of this requires, however, a well thought out strategy. The crucial issue for us will be the size of our costs. We will have to manage our resources well, while at the same time providing high quality payment and other services.

[Jelinek] As a branch we have the advantage of being able to use the capital of the central bank. We are focusing our activities on the producing regions around Brno. We are already concentrating on the credit needs of enterprises, and are discussing the possibility of locating offices in the headquarters of agricultural cooperatives, state farms, as well as in national committee offices. We are planning to begin partial operations, just as the central office, around 1 July, with roughly 60 initial employees.

[ZEMEDELSE NOVINY] That implies that new regional banks and branches will be set up. How will they differ? What will be their relationship to the center?

[Petrickova] For the time being only three branches have been set up; in Brno, Pardubice, and Zvolen. Regional banks, though, have been established in almost every region, and in some production areas. Branches are a subordinate organizational unit without a separate legal identity. A supervisory/subordinate relationship applies, with the center delegating authority and responsibilities. A regional Agrobank is an equal partner, with its own stock and legal identity.

[Bek] In practice, however, all relations among individual entities will take place on strictly economic terms,

while retaining a high level of economic independence. All the entities will acquire experience and cooperate very closely.

[Nowak] Every bank is a business enterprise. Capital does not recognize borders. There will therefore be movement of resources from areas where there is no use for them to areas where they are in greater demand.

[Kral] The central Agrobank will provide professional and methodological assistance, and may take control of some loan transactions. It will represent System Agrobank abroad and conduct foreign currency operations.

[ZEMEDELSE NOVINY] Agricultural enterprises will certainly be very interested in the potential for acquiring foreign currency resources.

[Kral] For starters we are not being ambitious and do not wish to make many promises. Nevertheless the possibility will exist. However, for us to consider a loan in convertible currencies it will have to be especially advantageous and promise an especially rapid return on investment.

[Spisiak] There are other foreign transactions available. I have in mind serving as a middleman, or leasing, i.e. providing state of the art foreign equipment for a fee.

[ZEMEDELSE NOVINY] What about entrepreneurs who are just starting out? Will they also find your doors open?

[Bek] We close our doors to no one, but I should immediately qualify this by stating that we will also not provide loans on someone's good word. Still, our laws still have serious limitations in the areas of guarantees, liens, etc.

[ZEMEDELSE NOVINY] A final question. What do you consider to be the strengths and weakness of System Agrobank, and of the overall Czechoslovak banking system? It is well known, for example, that there is not an excessive number of good "bankers" in our country.

[Bek] That is certainly the case. For example Greece, with a population of nine million and a less developed economy, has 55,000 bank employees. In the Czech and Slovak Federal Republic [CSFR] we do not even have 30,000.

[Jelinek] In my opinion the economics departments of our agricultural colleges could do more in this regard in their training of future agricultural experts. Their objective should be that their graduates not only know agriculture, but also be able to think in financial and business terms.

[Petrickova] There is also a number of administrative and technical problems, including an inflexible payments and accounting interface, difficulties in hooking up to the ABO [expansion not given] banking system, and an obsolete accounting base.

[Bek] This is why we are placing such emphasis on preparing for operations. If our internal accounting procedures are of high quality, this will free up more time for proactive loan operations.

[Subert] We still do not know if we will have the appropriate computer equipment to automate information processing. Even our work requirements seem "unusual" to some people. We will require 8.5 hours of work from everyone every day, with no exceptions. We have to keep our overhead expenses low and our efficiency high, or we will not be successful.

[Bek] If the banking sphere is to help economic reform "take off" we will need the support of the pertinent state agencies, including the Ministry of Agriculture and Food. This means, among other things, knowing in advance national priorities for the development of the agro-food complex and being able to support these objectives with appropriate economic measures, such as favorable interest rates.

[Spisiak] Our most important task will be to correctly predict future development trends, then to support and properly focus entrepreneurial efforts while respecting the unique characteristics of agriculture.

### Computer Technology Introduction

90CH0224G Prague HOSPODARSKE NOVINY  
in Czech 30 May 90 p 7

[Article by Eng. Ladislav Bina, candidate for doctor of science, and Eng. Mirrors Nemec, Decin Ferox: "Introducing Computers in Czechoslovakia"]

[Text] In our computer center we have set up a group to plan and manage the introduction of an integrated computer system for critical automated management subsystems and automated engineering work (CAD/CAM). We gradually dealt with the question of how to meet this objective using our domestically produced EC and SMEP [expansions not given] computers. From 1987 through 1989 we worked with a team from Brno Chepos on a plan for introducing CAD/CAM into chemical engineering. The project was initiated in the second half of 1989. During this work we accumulated extensive experience which we have had the opportunity to compare with that of the West.

Based on this experience it is our opinion that the introduction of CAD/CAM in our country is very uneconomical and suffers from several major problems. Czechoslovak industry produces model EC mainframe computers, which are not competitive in any area with foreign machines. Model SMEP computers are still worse. Their operating systems and data bases are appropriate for batch processing, but not for operating with terminals. Our mainframes are not designed properly for connecting to a network, or for connecting with personal computers or graphics workstations. Programming firms—software houses—have only begun tentatively to operate. These firms should be engaged in creating

professional, easily portable programs designed for international compatibility. Instead, design efforts are duplicated in multiple enterprises and institutions. Results are incomplete because of a shortage of programmers at specific worksites.

The situation in our country differs from that in developed, nonsocialist countries. Above all we waste intolerable quantities of materials and labor in all areas. We have attempted to arrive at some approximate calculations. We used publicly available data, which can be imprecise, as well as data produced by the computer center of our firm. Even so, the results speak clearly.

According to the 1989 yearbook of the JSEP and SMEP User Association, as of 31 December 1988 there were 1,653 organizational users of these types of computers. Of these users, 600 also operate EC1021 or higher mainframes, for a total of 894 mainframe computers. Normal electricity consumption is 20 kilowatts (based on a normally configured EC 1026). The average electricity consumption to cool the operating room of an EC1026 is 25-30 kilowatts, based on our figures. Two computers occupy a room 13 meters by 17 meters, or 221 square meters. Including service by an outside firm and air conditioning expenses, these computers cost Kcs55,000 monthly.

For comparison we considered an ICL 36 mainframe. A basic configuration, with a single disk rack holding two 760 megabyte disks, one tape unit, and a printer uses 4.3 kilowatts of electricity, works without air conditioning and without service. It is serviced once a year, except in cases of disruptions. A space five meters by five meters is sufficient for installation.

When we multiply these differences between the ICL mainframe and the EC1026 by the 894 installed EC's, we see that the Czechoslovak equipment requires 66,050 square meters more floor space, consumes 143,000 kilowatt hours more electricity for operation and air conditioning, and costs an additional Kcs49 million to service.

However, to replace the 894 EC mainframes with mainframes from nonsocialist countries would cost in the neighborhood of 6.3 billion foreign currency korunas. Initial calculations indicate that the payback period would be in the vicinity of five years, but this data includes only the direct savings.

Software and networks present another problem. Computer centers in the Czech and Slovak Federal Republic operate using batch processing. Centers organized this way employ about 20 workers, while in nonsocialist countries computer networks are always connected to terminals and personal computers at user sites. A mainframe computer and network are serviced by five to seven employees, which indicates that we have an excessive number of employees in this area. Our opinion, therefore, is that we should stop manufacturing EC and SMEP computers and shift the production capacity to

licensed production of world class computers. In software we have to reach a point of international compatibility. Instead of writing the same program in many institutions we have to establish professional software houses.

Enterprise programmers should change the focus of their jobs to that of organizers, i.e. cooperating with end users to map out a problem. Then, in cooperation with software house programmers they would modify the general design based on the needs of a specific application, then participate actively in its implementation. They should also be concerned with further training, analyses of the structure of the enterprise, information flows, etc. A group of three to five individuals with a high level of knowledge of about the enterprise and of the implementation of computerization techniques is adequate for this activity.

### Slusovice Inspection Results Published

90CH0224B Prague ZEMEDLSKE NOVINY  
in Czech 6-7 Jun 90 p 1

[Interview with Lubos Barta, doctor of law, by J. Vanicek; place and date not given: "What the People's Control Commission Found at Slusovice"]

[Text] His eyes looked tired. On the desk in his office on Invalidovna street in Prague rose piles of reports, protocols, and documents from the chief of the Czech Republic's People's Control Commission [VLK]. "All of this is Slusovice", sighed Lubos Barta, doctor of laws, chief of the investigation of the rumor enveloped Slusovice Agrokombinat, "and here is the final report", indicating a report of almost 200 pages in black binders.

"Slusovice was a latent problem for some time, but in its own way the subject was taboo. Regular inspections were not planned, no serious mixups made their way to the outside world, people had solid incomes and were very loyal to the nontraditional forms of management and administration found there. Early this year Sylva Sauerova, the former secretary of the former CSR deputy minister of agriculture and food, Eng Prochazka, broached answers to questions that every visitor to the cooperative had asked. The problem had been opened by several members of the cooperative who had begun to fear for their incomes and for the very existence of the cooperative. They began to demand complete answers to complete questions, questions which in the past they had been afraid to ask."

[Vanicek] What exactly was the problem?

[Barta] The first letter with supporting documents, personally delivered to our minister, Jitka Zetkova, chairwoman the Czech Republic VLK, focused mainly on fears that reports of the economic performance of the JZD had been falsified, on the misuse of cooperative property to form private stock companies, and on theft. Later the spectrum of questions widened still more.

Because of the primarily criminal character of the information, the minister transmitted it to the Czech Republic Ministry of the Interior [CR], after consultations with the Federal Ministry of the Interior and the CR Chief Prosecutor. We became involved after a requested Investigative Report by Public Safety [VB]. Our investigation related to four clearly specified areas. Other inspection agencies worked on other requests.

[Vanicek] Which results of the investigation can you make public?

[Barta] Clearly not all of them, because we have passed the final report for further use to elements of the Ministry of the Interior and Chief Prosecutor and their work is far from complete. Nevertheless, while the total output of the Slusovice JZD Agrokombinat reached about Kcs6.3 billion last year, the cooperative improved its economic situation in other ways, for instance, by receiving milk procurement price supports at a winter, i.e. higher level, for the entire year, improper bonuses for deliveries of slaughter livestock, and improper subventions for soil improvement. These improper supplementary payments amounted to Kcs1.7 million for 1989.

[Vanicek] Much has been said about the high subsidies the cooperative allegedly received from central sources in past years.

[Barta] Yes, and spokesmen for Slusovice submitted to us a number of documents showing just that, including a request by the chairman of the cooperative for a subsidy of Kcs15 million for the development of genetic engineering, broken down to the level of individual pieces of equipment, and a supporting recommendation by the former representative of the Ministry of Agriculture and Food, even after receiving information that the subsidy had been lost. In this and in most of the other instances we investigated the documentation was incomplete and the information unsupported. In short, the subsidy request did not make it past the final approval step, but this information did not make its way back to Slusovice. Our inspection failed to demonstrate that in recent years any extraordinary levels of subsidies have been provided to the Slusovice JZD Agrokombinat.

[Vanicek] Were other areas under investigation also in order?

[Barta] This is far from the case, but bear in mind that the management of the cooperative has stated publicly that its actions are frequently on the boundary between the permitted and the forbidden, and I might add that they at times attempt to step over that line. For example, an investigation answered the question of the unusually high pace of capital construction at the cooperative. The investigation showed that in 1987 and 1988 alone the Slusovice JZD Agrokombinat started at least 26 projects with budgeted costs in excess of Kcs140 million over and above the construction starts for which it had permits. At least an additional four construction projects were started without permits. In 1989 alone the cooperative admitted, in the context of transfer payments from



profits, that it had improperly used Kcs116 million to finance capital construction. The financial committee of the South Moravian Regional National Committee made a similar discovery in its audit, and is currently negotiating with Slusovice the payment of back taxes for 1986-88 in the amount of more than Kcs 209 million.

[Vanicek] In conjunction with inspections mention has been made of the destruction of documents at Slusovice. PRACE, for example, published an article with this allegation.

[Barta] Shortly before our investigation started there actually was a theft from the safe of the Moragro stock company in Slusovice, but I do not think it was directly related to the inspection by the CR VLK. By the way, copies of all necessary documents were available in the enterprise register of the Brno City Court, at the planning commission, and elsewhere, and are now part of our report. Moreover, the Moragro stock company could not be a subject of our investigation. We were investigating only the transfer of cooperative property to it. Its management was investigated by financial agencies.

[Vanicek] What exactly is Moragro Inc.. Much is written about it, but relatively little is known?

[Barta] Moragro is a privately held stock company, the existence of which was permitted by the CSR Minister of Agriculture and Food on 30 December 1989. The founders and stockholders are 12 individuals, including two brothers Cuba, the more well known of whom performs the function of chairman of the board of the stock company. Other stockholders include Josef Hurta, CSR Deputy Minister of Agriculture and Food, Pavel Drha, vice chairman of the Slusovice JZD Agrokombinat, four Slusovice deputies, the chief of the legal department, etc. The general director of the firm is Pavel Cmolik, former chairman of the CPCZ [Czechoslovak Communist Party] all-factory committee, and Miroslav Zajic, chief clerk of the former agriculture secretary. The business purpose is similar to that of the Slusovice JZD Agrokombinat, namely agricultural production, activities related to the production of food, the processing of agricultural and forest raw materials, the provision of labor and services and, a new undertaking, the area of microelectronics, especially computers. I would like to stop the gasps at the sensational character of these facts with the statement that we will have to become used to the existence of firms such as Moragro whether we like them or not. I became convinced of the vitality of the organization when I saw, during the visit of the pope, a box of matches with a picture of John Paul II. The box carried the unobtrusive logo Moragro, Inc. Slusovice, factory Solo Lipnik....

[Vanicek] Were rumors of improper transfers of cooperative property to this company confirmed?

[Barta] That depends on your point of view. The sale of old administrative buildings to Moragro for Kcs4,885,535 would strictly speaking be fine, if the

clerks did not have to move into unfinished, uninspected, brand new buildings, and if the board of the cooperative had not given this transaction precedence over an identified public need to use these buildings to supplement the social infrastructure of the village. Another facility, the MOSYV II hall, is now being rented by the company. During the investigation no other transfers at variance with normal management were evident.

[Vanicek] To finish up with a question that we perhaps should have started with: Do 7,500 Slusovice cooperative members have to be afraid to lose their jobs tomorrow?

[Barta] They are not the only ones asking this question. All of us face the same issue when you think about it. Just as each of us has to answer this question for himself, so do the people in Slusovice have to answer it themselves. They have to compare the impressive performance of the Agrokombinat with the millions in subsidy transfers used for the illegal activities of the cooperative. They have to consider the representative expenditures of Kvater and the Mosyvs and decide if they are willing to bear the risk of guaranteeing a loan of 2.5 billion marks, as the cooperative chairman did for his stock company. Each of them will have to consider the significant volume of foreign currency transactions and decide whether they agree with Deputy Eng. Kovarik, candidate for doctor of science, that the foreign dealings of the Slusovice JZD Agrokombinat might be threatened if the cooperative were not represented at the average world level in BMW automobiles valued at Kcs658,000 and 567,000. I do not think that they would find a clear answer to these questions. But who of us can?

## HUNGARY

### Import Liberalization To Continue

90CH0216A Budapest FIGYELO in Hungarian  
24 May 90 p 6

[Article by Tibor Tejnora and Eva Suveges: "What Else Is Hiding in 'Libero'?"—first paragraph is FIGYELO introduction]

[Text] It was in 1989 that, within the framework of the liberalization program undertaken in 1987 and essentially completed by 1988, the Ministry of Trade formally announced a list of products that may be imported without a license. Since then, the 1990 list has also been officially announced, and after extensive consultations with interested parties, including various interest protection groups, they have also outlined some of the steps they intend to take in the future. Accordingly, projected against our 1988 hard currency imports, the ratio of liberalized products will jump from 35 percent in 1989 to about 65-70 percent in 1990, and by 1991 their ratio will increase to almost 80 percent.

Although constantly changing to reflect the progress of the consultations, the main characteristics of some of the plans to be implemented in the coming years are already visible. Starting next year, they may remove all restrictions from the importing of energy sources, additional types of copper and aluminum products, wood pulp, cotton, certain kinds of nonprescription drugs, a specific line of rubber products, some basic materials for the synthetics industry, a relatively narrowly defined group of foodstuffs and agricultural products, as well as some labor safety devices and equipment. The products that will continue to be kept off the list of commodities to be liberalized include precious metals, explosives, weapons, ammunition, art treasures, classic musical instruments, illegal drugs, precious stones, pollutant wastes and materials, and certain types of foodstuffs and agricultural products.

### Heated Debates

In the present phase of preparations there have been heated debates about the extent to which imports of certain consumer goods (shoes, finished clothing, drapery, rugs, sporting goods, etc.) can be liberalized. Because of budgetary implications, similar questions have been raised about nonprescription drugs, high-volume ore and mineral mining products connected with the construction industry, automobile and parts manufacturing and other trade policy interests, tropical fruits, consumer goods, and cosmetics. While some experts are calling for the consistent implementation of the program already in place, others, concerned about the effects of rising social tensions and the regionally expanding and accelerating rate of unemployment, are urging that the program be suspended or at least curbed or redirected by way of appropriate industrial and economic protection measures. Included among the latter group's recommendations in this connection is a call for the raising of tariffs which, if implemented, would be directly contrary to the commitments we have made so far to various international organizations to reduce our import duties.

It should be pointed out that we are currently on the threshold of the most difficult and complex phase of the import liberalization process, because in an increasingly veiled manner its various effects are setting off chain reactions, against which it is becoming less and less feasible and affordable to directly intervene. Besides, given the myriad of modernization and reorientation efforts that are simultaneously taking place in other areas of the economy, the actual effects of such steps would be hard to assess and virtually impossible to control.

It would be difficult to take new and concrete steps without taking into account the social, political, and economic changes currently unfolding in the CEMA countries. The prospect of the rapidly approaching German unification is raising a whole series of questions to which we must still provide some answers this year. Similarly significant could be the effect of switching to a dollar-based system of payments in our trade with the Soviet Union and other countries of East Europe, for this

will have a decisive impact on the structure and volume not only of our exports, but also of our imports. The nature of future steps toward further liberalization will, to a great extent, depend on the outcome of bilateral negotiations. Because of the economic difficulties currently being experienced in Bulgaria, Romania, and Poland, we can expect a significant decline in imports from that region, and consequently an enormous boost to domestic demand for hard-currency imports.

Although starting on 1 January 1990, the EEC has extended its preferential tariff system (GSP) to include Hungarian products for the next five years, effecting significant additional steps toward liberalization in the food industry would not be expedient until close consultations with the EEC. In those consultations we need to take into account its existing system of overt and covert subsidies, and its network of highly refined nontarifflike protection measures which so far has never been used in Hungary.

### New Tariffs

The above outlined extent of liberalization raises a whole series of questions which pertain primarily to the feasibility of going ahead with what has already been started and managing the phenomena created by the liberalization of imports. Most intense has been the debate about the kind of institutions and statutory provisions we should have in place, in addition to the so-called export list and the existing tariff system, to ensure the free flow and turnover of imports, while at the same time protecting our domestic industries, the populace, the environment, our biological resources, and in general, our national interests.

Before the liberalization, the tariff system was aimed at fulfilling two basic functions: to protect Hungarian industry and to improve the balance of the budget. As a unique side function, it was to afford preferences to imports from the CEMA countries, thereby insuring the free flow of Hungarian exports to those countries. With the opening up of new foreign trade opportunities, the liberalization of imports, our commitment to GATT to lower our import tariffs, and the declining ability of the CEMA countries to meet their delivery obligations, however, it has become clear that our tariff system is only barely, if at all, compatible with our new circumstances. The tariff ratios between final products and components, and between components and semifinished products, have become rather disproportionate, while unjustifiable protections for socialist imports have continued, even in obvious shortage situations. Hence it has become imperative that we change our tariff structure and bring it into better harmony with the new situation.

Besides the tariff system, we have also had in place an institutional network formed to protect the interests of users and consumers, by making certain that the imported product meets our quality, accident prevention, and labor safety standards. Its scope of authority has included imports from both directions, but not our

total commodities import. From this standpoint, too, the liberalization has created a new situation by effecting a dynamic increase in product variety, and by broadening the scope of product quality.

A new factor to contend with in all of this is the projected forming of a consolidated EEC internal market by 1992, i.e., the requirement to conform to the standards and regulations accepted and applied there. The import implications of this development are clear.

### Import Code

It has become imperative, therefore, for us to drastically overhaul our domestic import system. To examine the mechanisms used to deal with us by the countries with which we have commercial ties, since the most expedient way to conduct and develop our relations is on the basis of mutuality.

**Liberalized Product Ratios as Percentages of 1988 Sales**

| Sector                          | 1989 | 1990 |
|---------------------------------|------|------|
| Mining                          | —    | 0.8  |
| Metallurgy                      | —    | 71.1 |
| Machine industry                | 58.7 | 7.8  |
| Construction materials industry | 5.5  | 3.3  |
| Chemical industry               | 0.02 | 33.7 |
| Light and other industries      | 2    | 15.5 |
| Food industry                   | 1.9  | 0.8  |

As is clear, even from this sketchy presentation of the situation, the actual extent to which an economy can liberalize its imports varies greatly from country to country. It is affected by the depth and scope of the system of regulations, procedures, and laws the receiving country considers necessary to have in effect to govern the inflow and turnover of imported goods in accordance with its level of economic, cultural, social, and equally importantly political development, and its degree of participation in various regional and international economic integrations. We cannot proceed with liberalization without carefully reviewing these domestic systems, and without creating our own import system, or better yet, a Hungarian Import Code, which in addition to rules pertaining specifically to imports would also contain regulations governing domestic circulation and use, and which should be made an integral part of our Trade Laws. The regulations we currently have in effect at various levels reflecting local interests contain too many loopholes and duplications. They should be replaced with a well coordinated collection of regulations that reflect our public and national interests, brought under a unified code.

The urgency of adopting such a code is becoming greater every day in view of the storm-like speed with which the number of enterprises and individuals having foreign trade permits has been growing. The code cannot be

viewed as the primary means of curbing imports, although in certain specific instances where our national interests or the protection of the populace, the environment, or our biological wealth is clearly at stake, its prohibitive functions will have to be allowed to assert themselves.

One of the particularly intensely debated issues connected with liberalization has been the question of whether or not we should, as required by GATT, adopt a system of procedures for Hungarian agriculture to live by, and whether or not it will take hard international negotiations to get closer to, and arrive at a compromise with the EEC.

For liberalization to continue simultaneously with privatization, we need to find new conceptual bases upon which the activities of the Ministry of Trade in this area can be placed, without limiting the organizational and statutory changes to this ministry alone.

### [Box, p. 6]

Listed below by categories of products and activities are some regulations we have found to be in effect in selected countries described as developed, which profess to have so-called liberalized trade policies.

**Foodstuffs:** All foodstuffs not in conformity with government regulations pertaining to artificial colorings, additives, and preservatives are banned. Most countries forbid the use of tartaric acid or similar products as preservatives. In many places they also require all plastic, glass, and metal containers containing food products to be sealed with a self-adhesive paper or plastic strip in such a way so as to prevent the container from being opened until they are broken.

**Livestock, Plants, Seeds, Fruits:** Most countries require veterinary and plant sanitation records and certificates of origin valid for not more than 20 days from the document's date of issue.

**Patented or Registered, Licensed Drugs:** In many places such imports require a consular certificate. The certificate must also indicate the wholesale and retail price the item is currently being sold for in the country of origin. These drugs cannot be marketed until the importing country officially verifies the stated price of the item.

**Content Certificate:** In the case of pharmaceuticals, drugs, therapeutical products, cosmetics, dietary products, serums, vaccines, bandages, artificial mineral waters, insecticides, veterinary medications, etc., most states demand a content certificate, and for import products they also require a certificate of origin.

**Used Machines and Equipment:** In several countries, approval by some agency (ministry, planning office, customs service, etc.) is required to import used machinery and equipment. They may forbid the importing of any machinery or equipment older than a given age (let us say, eight years), or worn beyond a given

standard (e.g., 20-percent of its original capacity). As part of the procedure, by reviewing the documentation provided by the seller, the importer must verify the value of the used machine (which in some cases cannot be less than 50 percent of the of a new machine or equipment), the year in which it was manufactured, and the extent of any damage it might have suffered.

**Engines, Public Road Vehicles, Electrical Home Appliances:** Most states require the seller to provide operating, handling, repair, and maintenance manuals, and warranty information (and in some cases parts replacement pledges) written in the importing country's official language. Before the product can be marketed, it must also meet the given country's standards and safety requirements.

In the case of passenger vehicles and trucks they also test the engines' pollutant emission and noise level which must meet existing standards. Only vehicles that meet the stated specifications are allowed to be sold. The importing of used vehicles is permitted only if they are not too old (in most cases not more than three years old), and if their exporter can verify the year of their manufacture. In some places the importer must also provide the local authorities with a declaration of defects.

**Construction and Assembly Activities:** One of the time-honored forms of import is international competitive bidding. One of the time-honored ways of protecting domestic industry and preventing high unemployment, on the other hand, is to set quotas on imported labor, or if more subtle steps are preferred, to impose higher taxes on enterprises that employ foreign workers. Many developed countries use work permits to control the influx of imported or illegally arrived labor. The extent to which the licensing process and procedural order is detailed and enforced depends on the influence of special interest groups, and very often on the changing internal political situation and party policy interests.

**Antidumping Measures:** If an imported product is brought into a country at a price that is lower than what it is sold for in the producing country, or if it is supported by significant export subsidies from the government of the exporting country, thus causing demonstrable losses or threatening the local producers and sellers of the same commodity, dumping or compensative tariffs are imposed. While these countries' procedures for initiating, cancelling, or temporarily suspending antidumping measures bear some similarities, in practice they may be quite different.

#### **Property Reform Circle's Privatization Program Delineated**

90CH0202A Budapest BESZELO in Hungarian  
21 Apr 90 pp 20-22

[Interview with economists Istvan Siklaky, author of the privatization program and its best-known advocate, and Mihaly Laki, economic expert of the SZDSZ [Alliance of Free Democrats], by Sandor Revesz; place and date not

given: "The Prospects for Two Birds in the Bush"—first three paragraphs are BESZELO introduction]

[Text] Everyone more or less agrees that the country's economy will fall apart for good unless we succeed within a relatively short time in placing state-owned business assets in the hands of owners who will behave as such. But no one knows where the huge amount of capital, needed to buy the state-owned business assets at realistic prices, will come from within the next few years. Up to the time we went to press, none of the known privatization concepts had an answer to this question, and therefore they all are hanging in the air. There is a shortage of capital in Hungary, and in the competition for foreign capital (assuming we want to sell the assets at truly realistic prices) we are at a considerable disadvantage, for a variety of reasons.

There is a privatization concept that attempts to face up to this fact, namely the Property Reform Circle's concept that was published in late February, as a supplement to ELSO KEZBOL. Among the circle's members there are Free Democrats, Social Democrats, Socialists, Democratic Forum members, and nonpartisans. The concept's known advocates include Vilmos Heiszler, Lajos Bokros, Bertalan Diczfazy, and Zoltan Kiraly.

The economic fraternity is ignoring the concept: It does not debate or analyze, damn or welcome the concept. Janos Kornai merely comments that the concept is bizarre, and the election program of the SZDSZ [Alliance of Free Democrats] simply calls it a daydream. But no arguments are offered to back up these judgments. There is only the tacit conviction that any a priori concept cannot be serious. Because we believe it is time to relate more demandingly than this to the privatization concept whose distinguishing feature is the idea of "citizens' shares," we have conducted a joint interview with economist Istvan Siklaky, the concept's author and best-known advocate, and with Mihaly Laki, an economic expert of the SZDSZ.

#### **Give the Assets Away**

[Siklaky] The Property Reform Circle's privatization concept starts out from the principle—and there is a very broad consensus supporting it—that rapid privatization of state enterprises operating at very low efficiency is one of the prerequisites for extricating ourselves from the crisis. A few months ago the view was still being advanced that 10 to 20 years would be needed to reduce the proportion of state-held functioning capital to about 30 percent, from the 70 to 80 percent at present. That was what Kornai said, and also what the Nemeth government's official concept called for. But now practically everyone agrees that privatization will have to proceed much faster than that, running its course within a few years.

There are basically two things we can do with state-owned business assets: either sell them or give them away. But neither at home nor abroad is there an

effective demand that is able and willing to buy up this volume of assets at—and I repeat—realistic prices.

[Laki] More accurately, there is an effective demand, but it is not big enough.

[Siklaky] That is correct. For that very reason, it will be necessary to give away a substantial proportion of the business assets owned by the state. Not everything, of course. A proportion can be sold. Regional governments, the pension fund, the social-security fund, towns and villages, and perhaps also universities could get another proportion. But even so, this would not make for rapid privatization. Therefore the Property Reform Circle believes it is ethical, and also makes economic sense, to divide equally among the citizens a substantial proportion—according to our proposal, roughly half—of the state-owned business assets. Moreover, this has to be done in a process that creates a capital market, which in turn sets the real value of the firms.

This process will work as follows: The state enterprises must be converted into corporations. On the basis of tender offers, a group of promoters may be commissioned by the competent state organ—the State Assets Agency, for instance—to establish a corporation. The promoters' incentives would be closely tied to forming a corporation with the largest possible capital stock and with readily marketable shares. This double incentive makes it unlikely that most promoters would deviate much from a firm's realistic valuation. At the time of the corporation's formation, the decisive factor determining the amount of the corporation's capital stock is the business strategy that the promoters have devised for the enterprise's future, and which the market will either believe or disbelieve.

Citizens would get vouchers of equal value, which they could then use to buy shares in the state enterprises converted into corporations.

[Laki] In other words, this is a special kind of rationing system, one under which you will be able to buy shares, rather than milk, for your coupons.

[Siklaky] That is another way of putting it.

[Laki] All right. But I think that now when the country is embarking on something new we have never had before, and the transition is confronting us with a situation that has been unfamiliar up to now, every initiative and idea must be given a chance in the marketplace. However, a single method untested anywhere in the world cannot be regarded as the only solution. Therefore I am not trying to demolish the Property Reform Circle's privatization concept, but am merely attempting to voice my concerns, to explain the reasons why I think it is risky to declare the system you have just outlined as the sole, mandatory road to privatization, to the formation of corporations.

[Siklaky] Since citizens' shares would be issued for only half of the value of the business assets owned by the state, we do not regard this system as an exclusive one.

[Laki] But concerning formation of corporations, you do regard it as the only way.

[Siklaky] In that sense, yes.

[Laki] That is clear. The citizen has a voucher for which he can buy shares. Obviously, he will also be able to sell his shares. Indeed, he cannot be denied the right to sell even his voucher. This way a substantial proportion of the vouchers will immediately be converted into forints or schillings, thereby creating purchasing power.

[Siklaky] By violating the law. The citizen may buy only shares, up to his allotted limit. If he sells his shares or his right to buy shares, he may use the proceeds only to buy other shares. I have used the word "voucher" merely for simplification. This is actually an equity account with a branch of the bank, and through this account it will be possible to ensure that the citizen's allotted limit is not used for any other purpose, is not spent on consumption.

[Laki] Whether voucher or equity account, it is all the same. Hungarian ingenuity in finding loopholes and circumventing regulations has been capable of miracles in recent decades. Every study shows that a voucher can always be turned into plain cash, even in a concentration camp. Recall the decree, issued in the dark Kadar era, prohibiting for three years the resale of cars acquired from Merkur. There were tens of thousands of people driving around in cars registered in someone else's name.

Before we let loose into a shaky market a one-trillion-forint something that could easily turn into cash, I think we should stop to consider an unknown factor: homo oeconomicus Hungaricus who, since the 1950's, has been accustomed to the fact that a Peace Loan bond will always get him a wine and soda in the pub.

I do not doubt that a large proportion of the money would flow into its intended channel, exerting there its beneficial influence. But a proportion, neither of us knows how large, would certainly escape from that channel. Within society there is always a stratum that is ready and willing to immediately exchange such fixed paper money for wine and sodas. And I also tolerate such choices.

My suspicion is that a large proportion of the population would not treat as prudent owners a windfall from heaven like the vouchers. There are people whom an unexpected inheritance will turn into prudent owners. But we also know from experience that those who are more inclined toward profligacy will squander with incredible speed an inheritance, a gift, or a lottery win.

[Siklaky] All right. There obviously will be people who will find a way to squander their incomes earmarked for buying shares. These people—and here I am supporting your argument—would be adding to the inflationary

pressures only to the extent that they spent on consumption the money received from the purchasers of their allotted equity; and, in the absence of this opportunity, the purchasers would probably have used that money anyhow for investment, rather than for their own consumption.

But I submit that, by means of legal mechanisms and banking techniques, it is possible to make the conversion of the allotted equity into consumption suitably difficult. Like under any system, closing all the loopholes will obviously not succeed here either. At the same time, given the many factors that determine the rate of inflation (the rate of privatization, for instance), the inflationary pressure generated by the money escaping here would hardly be catastrophic.

[Laki] Well, that is something neither of us knows!

[Siklaky] But we do know that if X passes on his allotted equity to Y, X's purchasing power will increase, but Y's will decline. And if Y pays X in a currency other than the forint, the amount of forints in circulation will not increase.

[Laki] That is not quite so simple. The appearance of this voucher money in the marketplace would expand the money supply; the voucher money would become one of the components of the money stock; and overall, due to the different rates at which the transactions were taking place, the quantity of money in circulation could increase. I concede that these are very weak and uncertain assertions, but I for my part would be very reluctant to dismiss the threat of inflation that the issuance of such a volume of vouchers would pose.

[Siklaky] But what we would be issuing here would be money of limited circulation, rather than a general medium of exchange.

[Laki] That is true. Nevertheless, like a bill of exchange, it could have gone through very many transactions by the time it becomes a share.

But I would like to ask another question. We evidently both agree that valuation of the state's functioning capital is absolutely uncertain and even a quite hopeless proposition. Yet we will issue a given amount of vouchers, generate a given volume of demand, and say that a given proportion of the state's business assets matches it as supply. But what happens if we err?

[Siklaky] We have described the technique by which this problem can be avoided. What it involves is as follows: The state enterprises would be converted into corporations in groups of a certain size, rather than all at once. Hence the competent state authority would likewise free the citizens' share vouchers gradually. Assume that the so-called giveaway portion of state-owned business assets is worth 1.0 trillion forints, and therefore the corresponding value of each citizen's voucher is 100,000 forints. If in the first stage of privatization the promoters set at 100 billion forints the value of the enterprises in

that group, or rather half of their value that is to be distributed among the citizens, and if the promoters issue shares accordingly, then we too will free a commensurate proportion of the citizens' vouchers: 10,000 forints per citizen, let us say. But if in the end it turns out that the actual value of the state-owned functioning capital is not what we estimated, then the value of a citizen's voucher, when all of it has been freed, will likewise not be what we initially estimated. Incidentally, the gradual freeing of the vouchers further reduces the danger that the vouchers might be sold, thereby adding to the inflationary pressures. Naturally, there can also be uncertainties in the valuations of individual enterprises and in setting the amounts of the corporations' capital stock. In any case, the valuations will be serious estimates circumscribed by interests, and the errors in valuation are more likely to be mutually offset within a larger group of enterprises.

#### No Opportunity for Well-Connected Nobodies

[Laki] In other words, the promoting fathers who do the valuation, devise the enterprise's future strategy, and form the corporation will be playing a key role. But who can be a promoter, who will choose the promoters, and on what basis? If we two form a partnership to convert the Kobanya Brewery into a corporation, would we be able to do so?

[Siklaky] We would, certainly. It is obviously expedient to set certain professional criteria, but I think that we two would meet them.

[Laki] Good. But on what basis will the authorities decide that we two are better qualified than the 20 other applicants?

[Siklaky] That is a detail which has not been worked out as yet. Certain considerations will obviously play a role here, such as what founding costs the promoters will require. Let us not forget that the devised enterprise strategy is an intellectual product for which its authors are entitled to a fee. Another consideration might be the minimum number of shares the applicant is willing to subscribe.

[Laki] Then there would be open bidding, like when espressos are being leased?

[Siklaky] Something similar. But what is at stake here is not the operation of the enterprise. According to the Law on Business Associations, the promoter does not have any special rights once he has issued the shares. It is not certain that he will be elected an officer of the corporation. He does not even have to be a shareholder. The promoter's reward is his fee, which he gets on the basis of the previously mentioned double incentive.

[Revesz] Allow me to interpose a comment. The promoters obviously have a very good opportunity to land lucrative jobs with the corporation. And the firm's present managers, due to their local knowledge, their access to information, and their connections, have a

good chance of being chosen as the promoters. In other words, a channel opens up here through which managers are able to salvage their positions.

[Siklaky] Yes, a channel does open up, but not for just anyone. To devise a profitable business strategy for today's state enterprise, at a valuation of its assets that the market is willing to accept, is a very demanding professional task that a well-connected nobody would be unable to handle.

[Laki] Here it is possible to convert the advantage of local knowledge into personal gain.

[Siklaky] But that is nothing compared to what the SZDSZ regards as acceptable in its Election Program published as a supplement to BESZELO. And I quote: "It is undeniably awkward that the objects of the sale, the influential group of senior enterprise managers, also participate in making the decision to sell a state enterprise. Their role in initiating privatization, finding a partner, and formulating the conditions seems unavoidable." Well, I think that this "awkwardness" can be avoided to a large extent, even if not entirely.

[Laki] I accept that sentence. I concede by far the justification for, and the possibilities of, privatization concepts that strive to rule out the aforementioned "awkwardness." But since I do not believe that any of the concepts can become total, I think we will be left with this "awkwardness."

I am far more concerned about the danger that the other political parties—the MDF [Hungarian Democratic Forum], for instance—might introduce a privatization practice that will attempt to preserve the "big state." The MDF is interested only in providing jobs for as many of its followers as possible. We will have the same bloated, overfed state apparatus as before, with the only difference being that others will be sitting in the offices. Extensive ownership of business assets by regional and local governments, of assets which once again the state bureaucracy will be administering, fits nicely into that picture.

[Siklaky] I share your concerns about the MDF. But if a person is being interviewed by BESZELO, it is befitting to scold the SZDSZ, primarily its standpoint that appeared in its Election Program, and which I also heard Janos Kis reiterate recently at the University of Economics. Namely, that it is neither possible nor desirable "to have more widely dispersed stock ownership in Hungary than in West Europe." But we believe that, due particularly to the specific historical conditions of privatization, wider dispersion of stock ownership in Hungary is not only possible but also desirable and necessary.

[Revesz] To sum up, given a situation for which there are no historical blueprints, and given a society that has had just about enough of historical experiments and a priori concepts, my question, speaking figuratively, reads as follows: In this society, which has been kept starving for decades over the plans for two birds in the bush, what are

the prospects for those two plump birds, perfectly constructed in theory, as opposed to the one bird in hand?

[Laki] On the basis of the East German example, none whatsoever. There the opposition that took to the streets, braving the rubber truncheons, has melted into a miniscule minority, because the vast majority wanted nothing other than union with West Germany as soon as possible. My impression is that most people in our country would prefer to cross over as soon as possible into a kind of society like, say, Austria's. The only trouble is that nobody wants to pay our fare for that trip.

[Siklaky] If the Hungarian people were given a choice between our concepts and a solution under which a big Western consortium would buy up the shares of all state enterprises and would guarantee the workers half the real wages in the West, the overwhelming majority would opt for that solution. Perhaps I, too, would vote for it. However, the alternatives look quite different.

[Laki] Let us leave it at that.

## POLAND

### Current Laws Prohibit Foreign Firms From Retrieving Methane Gas

90EP0628A Warsaw GAZETA WYBORCZA in Polish  
22 May 90 p 3

[Article by Roman Stefanski: "Silesia Sleeps on Gas"]

[Text] The best technologies of underground coal degasification make it possible to release more than 80 percent of the methane contained in it. The methane may be used in industry and for power generation; at the same time, one of the greatest dangers to mining is eliminated, and atmospheric pollution is reduced. Two American companies are offering such technologies to Poland. However, under the regulations in effect, foreign enterprises cannot prospect fossil deposits in Poland.

About two billion cubic meters of methane escape every year from the mines of Poland (according to foreign experts, as many as 3.3 billion). Only 250 million are used by industry and households. The American companies ICF Resources and McKenzie would like to extract methane from the Polish deposits of hard coal. In their opinion, in as little as three years we would obtain annually over five billion cubic meters of gas.

The Jastrzebie mine has approached the Ministry of Industry. It is seeking help in signing contracts with specialized companies. The Walbrzych coal basin is also interested in such technologies. Unfortunately, our current regulations do not allow foreign companies to look for fossil deposits in Poland. Deputy Minister of Environmental Protection Wojciech Brochwicz-Lewinski told GAZETA that it is necessary to revise guidelines for granting concessions for prospecting and extracting the natural wealth. The ministry is working on it together with the World Bank.

If we take advantage of the American offer, gas fields will appear in Silesia along with pit shafts. Every field will be 10 kilometers wide and long, and will contain 200 wells. After a mixture of water and sand is pumped under high pressure into the depths of the deposits, cracks are formed in coal through which gas escapes. The field may remain in production for about 20 years. Subsequently, coal may be mined safely (without methane). The Americans intend to use gas pipes made of fiber glass which will not harm coal-mining combines.

The methane obtained in this manner is used in the world for:

- Fueling gas turbines which generate electricity.
- Supplying gas mains.
- Increasing the heat content of other fuels during combustion.

Wojciech Brochwicz-Lewinski maintains that the method of underground coal degasification may help the national environment. Considerably less carbon dioxide is formed during the burning of methane compared to burning coal. At the same time, the emission of methane into the atmosphere is restricted. Both methane and carbon dioxide are the main culprits responsible for the so-called greenhouse effect (this is a phenomenon of increasing temperature which threatens life on Earth).

### Right of Foreigners To Own Fixed Assets Questioned

90EP0651A Warsaw *POLITYKA-EXPORT-IMPORT* in Polish No 6, May 90 p 13

[Article by Ryszard Andziak: "The Promised Land"]

[Text] On 23 February, the disturbing note "Poland for Sale" appeared in *GAZETA KRAKOWSKA* with the subtitle "Tanks Are Not Necessary, a Few Dollars Would Do It." The note described how the 30-year-old Dane Jens Dinesen purchased 2,000 hectares of agricultural land and three castles in Poland in the last half year paying \$46,000 for all of it. After all, land in Poland is cheap for foreigners: Depending on its category, its price amounts from \$90 to \$15 per hectare. Buildings are cheap too. A square meter costs 93 cents, regardless of whether this is pigsty, a stable, or a castle, reported the newspaper.

This information got into circulation. A resident of Krakow sent a clipping from the newspaper to Deputy Prime Minister Czeslaw Janicki, as well as a letter in which he wrote unambiguously about what he thinks about the consent of the government to such activities. Are our regulations so liberal that a newcomer from the West may become a lord of the manor? How much truth is there in information appearing from time to time on the sale of our land to others?

### What Does the Law Say?

The history of this issue is long: As early as 1920, a law on the purchasing of real estate by foreigners was adopted on the initiative of the then minister of the treasury. At the time, it was the only unified legal act which regulated trade in real estate because with regard to Polish citizens the legislation of the former occupying states applied in this field. After subsequent amendments of the regulations on 24 March 1920, in 1932 a uniform text of the law was published. The law survived in its unchanged form until 1988, when it was amended by the law on economic operations with the participation of foreign entities.

The law in effect for more than 70 years now says that real estate may be acquired by foreigners only after they obtain a permit from the minister of internal affairs. The permits are issued by agreement with the ministers of national defense, agriculture and the food economy, or another proper minister depending on the kind of real estate purchased. In specific cases, the minister of the interior may set special conditions for both the buyer and the seller on compliance with which the opportunity to consummate the transaction will be conditioned. The law does not specify such special conditions. A decision by the minister need not be justified, nor can it be appealed. The acquisition of real estate by a foreigner in contravention of the provisions of the law is not valid.

Foreigners who have dual Polish citizenship are exempt from the requirements of the law. Individuals permanently residing abroad and carrying Polish consular passports do not have a duty to obtain permits.

In 1986 and 1987, 52 permits for purchasing real estate were issued to foreigners. In most cases, it was for the sale of apartments to foreigners permanently residing in Poland. The greatest number of permits was issued to citizens of the USSR—56; the United States were issued six, and Great Britain and Greece four each. Along with others, there also were citizens of Australia, Syria, Israel, and Yugoslavia among the buyers of dwellings. Characteristically, 80 percent of these people claimed Polish descent. In 1987, only one permit was issued for acquiring real estate for the purpose of economic operations.

The markedly greater interest of foreigners in buying real estate in Poland dates back to August 1988. At the time, criteria for the issuance of permits were changed, mainly due to canceling the requirement of possessing a permanent resident card as a condition for the issuance of a permit. Out of 325 foreigners who have secured permits before the end of February of this year, citizens of the USSR continue to be the largest group—105, followed by FRG citizens—35, U.S. citizens—24, Swedish citizens—21, and Bulgarian citizens—12. The citizens of the 36 remaining states have obtained a total of 128 permits. Despite the cancellation of the requirement to have the



permanent resident card, the citizens of foreign states residing in Poland permanently continue to dominate among the buyers.

Previously, permits were mostly issued for residential premises whereas since mid-1988 foreigners have been interested in lots for construction or in already developed lots. The citizens of the United States of America and Canada are the most eager to buy lots, whereas apartments in multidwelling houses are most frequently bought by USSR citizens, usually mixed marriages. We still see few foreign economic entities on the list. Before 26 February of this year, only 18 permits were issued to them, including six this year. Among others, Torf Corporation Inc. from Wroclaw received a permit for purchasing a lot with an area of over three hectares with improvements for a plant producing the compound of Professor St. Tolpa (Barbara Piasecka-Johnson, a citizen of the United States of America, holds a 50-percent share).

### Restrictions

Sensational information on the sale of thousands of hectares of land to foreigners is just not true. In 1.5 years, only 21 permits were issued for the purchase of about 160 hectares of agricultural land (the size ranging from one to 37 hectares). In a majority of cases, the buyers are bound to Poland by their ethnic background or Polish descent. Only three foreigners are of a foreign ethnic background. Two requests were turned down: In both cases, at issue was a permit for the purchase of farms by Germans from the FRG who claimed the desire to return to their "native parts."

I asked in the Ministry of Internal Affairs: What about the purchase of 2,000 hectares of farmland by the Dane? In the Socioadministrative Department of the Ministry of Internal Affairs, I was told that nobody has filed a petition for purchasing such real estate, and, what's more, there could not have been a favorable decision. The authorities of Gorzow Voivodship are likewise not aware of such a transaction.

Nonetheless, interest in purchasing land in Poland is picking up. The Swedish company Braxinvest-Aktiebolag headquartered in Goeteborg has filed a petition to purchase 889 hectares of farmland and forest land which belongs to the Multifacility Agricultural Production Cooperative in Cieslaw, Szczecin Voivodship. The plan was to organize modern farms on the land purchased. Also, a Swedish citizen wanted to purchase 43 hectares from a private individual for breeding slaughter cattle and fish, also in Szczecin Voivodship. In both cases, the minister of agriculture found no grounds for favorable action on petitions to purchase real estate. The minister of internal affairs made negative decisions. Recently, an FRG citizen who wanted to purchase 50,000 hectares of land—a trifle!—approached the Ministry of Agriculture; others would be happy to buy smaller properties within the range of 5,000 to 10,000 hectares.

Is it possible in general to allow foreign capital involvement in land transactions in Poland? Says Mieczyslaw Stelmach, a deputy minister of agriculture and the food economy:

"At present, we see no such opportunity. This would amount to sales for peanuts before a land market comes along in our country and land prices reach West European levels. What about the future? First of all, we should keep in mind the fact that the participation of foreign capital in land transactions should be strictly controlled and restricted in our country, like in any other. Until now, Minister Janicki has not endorsed any petition for the purchase of farm real estate by foreigners."

### Instructions by Jens Dinesen

Foreigners are looking greedily at our lands. The appetites of the Danes lured by opportunities to purchase land in Poland easily became particularly acute when Jens Dinesen published in the local newspapers an announcement that he had purchased land in Poland and become the owner of castles. He also prepared "a handbook and guide" in which he gives advice on how to follow in his footsteps. The author of the guide introduces himself: He owns a 300-hectare farm in the vicinity of Kolding-Hederslew, and he is 30 at present. In the late 1970's, he was involved in an agricultural operation in Portugal together with his family. Last year, he sold the land on attractive terms due to the growth of land prices. He writes that he counts on the same situation recurring in Poland.

The Dane familiarizes his fellow countrymen with the realities of Polish life: "You cannot buy a map of the country or toilet paper in Poland, but apart from this anything can be bought, especially if a one-dollar or a five-dollar bill is held at the ready. Certain commercial inconveniences associated with purchasing land are aimed at restricting the influx of Germans from West Germany to Poland with regard to whom," as the author of the guide states "such hatred prevails which I have not encountered in any other country."

"A partnership is the form of ownership which is the most advisable. Any Polish attorney may set up partnerships because the state favors their formation. Partnerships may even be 100 percent foreign owned." While purchasing smaller properties, under 50 to 60 hectares for 5,000 Danish crowns, J. Dinesen advises lending the money for purchasing a property to a fronting Polish farmer who will operate the farm purchased. He cautions that simultaneously with entering the name of the farmer in the registers as the purchaser of the property an agreement between the farmer and the Dane should be drawn up stating that the property may be sold only to the Dane, when this becomes possible. It should also be set forth that the sale price will be equal to the purchase price, and that the Pole owes the Dane a sum equal to the value of the farm. That is all.

According to the instructions of Dinesen, purchasing a property in one's own name is no problem either. "A permit may be secured on the condition that the plan is to use the castle, for example, as a hotel, and make the land adjacent to it into a golf course. These arrangements will be made by an attorney. All Polish attorneys speak English"—this is a complement to our bar from the Dane. In his opinion, purchasing private land from the Poles is the easiest and the most interesting because these are lots ranging from three to 20 hectares. The trade in such lots is brokered by the local agricultural banks which are located in the seats of provinces. He addresses the readers of his brochure: "Take care not to look as somebody overly affluent from the West because when such an individual appears prices go up."

Purchasing real estate from the state is not complicated either. "Unprofitable state farms are being divided and sold, in the course of which voivodship administrations handle the sale of castles and large areas of land, whereas gmina administrations sell smaller properties together with improvements. Unfortunately, the employees of voivodship administrations are often opposed to privatization which is dictated by Solidarity, and make land purchases difficult and delay them," stresses the young Dane.

The author of the guide wraps up as follows: "I may recommend people with the best references in Poland and Denmark and [give the names of the] people whom I would not recommend as advisers to those who would be interested and decide to go to Poland after familiarizing themselves with the materials. I will be happy to be your future good neighbor in Poland."

Here is an example for professionals: Has this Dane bought something through people fronting for him, or is he drawing his fellow citizens into a dubious scheme? Perhaps, we should once again consider the principles on which the foreigners are allowed to purchase land or invest directly in our agriculture since we are selling our plants to foreigners. If Dinesen has found a way to circumvent Polish law others will find it too. In this sphere, all countries apply their own rules of the game in keeping with their interests. What is in our interest?

#### **Use of Renewable Energy Sources Seen as Economical, Practical**

*90EP0633A Warsaw ZYCIE GOSPODARCZE  
in Polish No 16, 22 Apr 90 p 8*

[Article by Witold Toczyski: "A Dream About Renewable Energy"]

[Text] In 1989, the Government of Denmark allocated 400 million kroner, or about \$55 million, for aid to Poland. However, this aid was given on the condition that it would be used for environmental protection. Therefore, investors in Denmark who would like to export manufactured equipment and technologies used for environmental protection immediately took an interest in these funds. The allocation of these funds for

ecological purposes is a good reflection of the practicality of the Danes: If the funds remain in Denmark, ecological investments in Poland will be a good transfer of modern thinking about Europe. In passing, this begs the question of whether Poland will benefit in the same manner by the British moneys, which are generously used to finance British experts who offer advice on various economic matters?

A Danish institution operating along nonprofit lines, Nordvestjysk Folkecenter for Vedvarende Energi, or the Center for Renewable Energy, which is headquartered in Copenhagen and Hurup Thy, has embarked on vigorous activities in Poland. The Danes want to install two types of energy-generating equipment in Poland—wind turbines and units producing biogas. To be sure, work on solar energy and energy biomass is also done within the framework of the center; however, it appears that the windmills hold out the greatest hope for cooperation.

At present, renewable energy of the captured flow of water, wind, sun, and biogas may amount to merely an addition to energy generated by other methods. However, this marginal amount results in considerable ecological advantages because it teaches local communities respect for nature.

The economic aspect of the undertaking is also important. After the costs of eliminating pollutants are figured in, the endeavor appears competitive with conventional and nuclear power stations. In 1988, the costs of generating electricity in the FRG were as follows (per one kWh): large hydropower stations—0.12 DM; small hydropower stations—0.20 DM; biogas—0.12 DM; wind turbines—0.25 DM; and solar cells—6 to 8 DM. Therefore, energy generation from waste and biogas, as well as water and wind energy, are the most advantageous types of nonconventional energy.

Until recently, the construction of renewable energy turbines in Poland was unprofitable. Capital costs and amortization caused the price of renewable energy to be higher than the state consumer of energy paid. Recent increases of energy prices necessitate new calculations which are very hard to make due to unstable costs and prices. At any rate, we may find on the basis of German price levels that the price of renewable energy per kWh is at least seven times lower. Therefore, greater interest in renewable energy may be expected, especially by farmers.

In light of a July 1989 NIK [Supreme Chamber of Control] report, Polish experience with wind energy and biogas energy has been a complete failure. For technical reasons, wind turbines of the W-8, WE-10, and WE-12 types designed by the IBMER [Institute for Construction, Mechanization, and Electrification of Agriculture] in Warsaw and biogas production facilities were not in operation for the most part.

The Center for Renewable Energy in Denmark has wind turbines with capacities ranging between 20 and 270 kW which have proven themselves throughout the world.

The Danes from the Folkecenter want to begin their activities in the Polish market by demonstrating the operation of three wind turbines which are to be financed within the framework of government aid to Poland. They also want to arrive at a cooperation contract by means of a feasibility study. Likewise, they guarantee the complete training of specialists in the field of building and using wind power generators.

At present, a wind generator with an output of 200 kW costs about \$200,000. Given an average wind speed at five meters per second, this generator may provide 200,000 kWh annually. Given an average speed of wind at six meters per second, it may provide 370,000 kWh. At current energy prices, this would be an investment with a period of recoupment lasting 60 years.

Power generation based on renewable raw materials will not get off the ground in the absence of loans at low rates of interest, profit tax relief, and, in general, state support. However, if coal-based power generation is subsidized, why not support power generation based on renewable sources, all the more so because the price of clean air and the price for discharging saline mine water into the Vistula should be a part of such accounting.

### **Steel Industry Woes: Old Technology, Poor-Quality Products**

90EP0628B Warsaw RZECZPOSPOLITA in Polish  
28 May 90 p 2

[Article by Zbigniew Wyczasny: "To Modernize, but How? Steel Ailments"]

[Text] The machinery and equipment at Nowa Huta [New Iron Mill] are more than 90 percent amortized. This is just "an old iron mill." The change of patron will not improve its condition. Even if the brilliant Polish engineer-inventor Sendzimir, the current patron of the iron mill in the vicinity of Krakow, were alive he would also feel helpless. This is how far behind the world standard we have fallen in the iron and steel industry.

Many subdivisions, especially raw-material subdivisions, exist throughout the Polish iron and steel industry in which neither technical nor economic prerequisites favor any type of modernization or reconstruction, as the recently completed (April 1990) control studies by the Supreme Chamber of Control indicate. Raw-material divisions of the Bobrek, Kosciuszko, and "Peace" Iron Mills should be liquidated in the next several years.

About 40 percent of steel is produced by the obsolete and excessively energy-intensive open-hearth method which has been almost entirely abandoned in developed countries. There is not a single open-hearth furnace in operation in the FRG, France, and Japan. In our country, the technology of continuous pouring of steel is still at an embryonic stage (not more than 6 percent), whereas in the EEC countries it accounts for more than 81 percent, and in Japan 93 percent. Even in Brazil 45 percent of all steel produced is poured by this method. The yield of

this metal has improved by about 15 percent due to the extensive development of the processes of continuous pouring, and due to this the increase in the output of rolled products has been considerably more rapid.

Obsolete and worn-out production facilities, old production technologies, and the common lack of equipment for upgrading products cause the metallurgical products manufactured to be marked by universally low quality which markedly trails the quality standards of the world. The machine-building industry questions about 30 percent of the deliveries of iron and steel products, and the number of complaints which are recognized exceeds 20 percent.

The quality of steel for screws and rivets, for thick plates for the shipbuilding industry, for mining chains, and mining cables is especially questioned by the purchasers of goods. They complain to suppliers about the quality of steel which they are forced to use for springs and suspension springs, ball bearings, and instruments. The quality of steel for conventional and nuclear power-generation equipment does not meet high requirements either.

Only electrical steel produced by the Bochnia plant of the Sendzimir Iron and Steel Mill and the products of the Baildon Iron Mill are up to modern standards of quality. However, the quality of the latter declines frequently due to the rolling of products at obsolete and worn-out rolling mills. The share of alternate-steel products with improved user characteristics in the total production of steel is negligible. The share of alloy steel in the total production of steel in Poland amounts to less than eight percent, whereas that of leading producers of the world comes to 20 percent or more.

A comparison of indicators suggests that about 2.7 million more tons of steel are used in Poland than in countries possessing the newest technology in order to attain the current level of output of rolled goods (which amounts to about 12 million tons). This is a measure and the price of the technological backwardness of our country.

The question is: What next? The views are mixed, and not only among metallurgy experts. In January of this year, the investment needs of the iron and steel industry until the year 2010, on the order of 14 trillion zlotys, including U.S. \$280 million, were presented to the Sejm Commission on the Economic System, Industry, and Construction. This is the cost of restructuring without scouting the market. Production for the sake of production does not give anybody solace anymore. Producing it is no big feat, the feat is to sell it. Who in the West is going to lend us money in order to modernize "the old iron mill" and the Katowice Iron Mill which, essentially, is not young either, given the overproduction of steel in the EEC? What to do and how to make money—these are not just rhetorical questions.

### **Stomil Rubber-Tire Factory Production Fall Profiled**

*90EP0647A Warsaw ZYCIE GOSPODARCZE  
in Polish No 21, 27 May 90 p 4*

[Article by Henryk Podraza: "Shock Treatment at the Debica Stomil"]

[Text] The Debica Car Tire Plant Stomil employs almost 7,000 people and produces millions of tires and tubes for cars, bicycles, and farm vehicles providing a source of income for the residents of the entire region. How does an industrial giant of this kind feel after the shock treatment administered to our economy by [Deputy] Prime Minister Balcerowicz?

Director engineer Henryk Mitrega is hopeful: The enterprise is not threatened with bankruptcy; it will certainly stand its ground. The only unknown is what the cost of this treatment is ultimately going to be both in terms of zlotys and social hardship. It will be necessary to make changes and drastic savings both in the sphere of production and in that of social services. There is also the apprehension that production-sharing links will be severed due to restrictions on the output of certain products which will be difficult to restore later should this be needed.

For now, it is like this: Production of car tires is going full tilt; a market is ensured. However, an abrupt decline in demand for tires for farm equipment—trailers and spreaders—has occurred. As recently as last year, 700,000 tires for farm equipment were produced, and the plant had to expand its tire production capacity in order to fill government orders. This year has been ruinous: In February, no more than 7,000 tires were sold. Farm machinery plants have limited or suspended production due to the absence of demand on the part of farmers for such equipment, which is horribly expensive at present. Therefore, they do not need and do not purchase the Debica products. This has made the situation of the plant difficult, and that of its subcontractors certainly even more difficult—the Technical Fabrics Plant in Zawiercie and Ilowa Zaganska, the Rubber Industry Enterprise in Sroda Wielkopolska, and in part several minor suppliers of semifinished goods.

Stomil is trying to rescue itself any way it can. Some of the employees were given leave; the services of outside repair companies are no longer used, and repairs are done with the plant's own resources, though this is not necessarily favorable: Specialized enterprises which have the equipment needed sometimes did such work better. However, they had to bring themselves to take this step in order to ensure employment for their own workers.

However, cosmetic measures of this nature will not suffice for a long time. Unless demand for the products of Debica increases, the plant will be forced to reduce its work force by several hundred. It does not look like a lot compared to the 7,000 people currently employed. However, for the people who will find themselves in the street

this will be dramatic, though decisions are supposed to be made on an individual basis, and in a manner such as not to bring about extreme poverty in the families of the laid-off workers. In the city and its vicinity, there are no vacant jobs anymore, and not a single enterprise is hiring. For the last time, the railroad hired several people in February being picky about the candidates. It has already become a problem for Stomil and the Debica plants to employ women returning from maternity leaves and men completing their service in the armed forces. There is nothing for them to do. The same will very soon be the case with the graduates of Debica schools. They are aware of this, and when their parents urge them to study, their response is: Why hurry, there is no work for us anyway. The residents of the city are particularly concerned about the prospect of unemployment among the young people: Nothing is more demoralizing than passivity and the lack of prospects.

Reducing the work force is the most painful operation, but not the only difficult one which Stomil has to perform. A large segment of the employees are bussed in at the expense of the plant from up to 60 kilometers away. Due to austerity considerations, this commuting needs to be restricted, and the routes need to be shortened. Employees living further away will have a problem: They will either have to give up their jobs, or commute themselves, or live in the worker's dormitory which does have vacancies but only for singles.

The social and service programs will be restricted drastically. Eight hundred Stomil employees are on a waiting list for apartments. If everything proceeded as it used to, the apartments would be built within five to six years, and everybody counted on this. These plans are no longer valid. This year, not a single apartment will be commissioned, and next year it is planned to build 50. Even that is not going to be easy because to accomplish this both the plant and the interested employees should have money. It is not at all certain that 50 people with tightly stuffed wallets can be found.

The employees became less interested in vacation trips; the same will certainly be the case with summer camps for children. The people cannot afford costly recreation in this uncertain time. All the recreation facilities built up for years will have to be reorganized: Resort hotels will be leased, or partnerships will be formed in order to operate them jointly. For now, these are merely theoretical considerations because nobody is willing to cooperate in this manner. At present, organized recreation is a bad business to be in.

Discussions are also under way on changes in the organization of the plant, including the decentralization of management and reinforcement of commercial services. There was no need to get involved in retail trade for as long as all Stomil products were snapped up. Now that there are difficulties with sales, the future of the plant cannot be left in the hands of traders from Polmozbyt or the Samopoc Chlopska Cooperative. Several years ago, the Interstomil company which made the retreading of

tires its business was set up. It is now expanding its services to include trade in the products of the rubber industry. It has more than 20 sales outlets all over the country, its own warehouses, and wholesale establishments. The commercial department of the plant will also be expanded.

Stomil attaches certain hopes to expanding exports and cooperating with foreign companies which would like to invest capital in the expansion and modernization of the plant. There is great potential in it which has not been tapped yet. However, time is necessary for that whereas current difficulties have to be overcome right away.

### Trade School Closings Create Uncertain Future for Youth

90EP0632A Warsaw ZYCIE GOSPODARCZE  
in Polish No 16, 22 Apr 90 p 5

[Article by Halina Sterczynska: "Who Wants To Go to School?"]

[Text] The situation of 8th grade graduates and their parents is unenviable this summer. In general, a decision on choosing a profession does not come easily for a 15-year-old. However, what is to be done this year? Which profession is to be selected so as not to have a problem finding a job three, four, or five years later? Previously, food-service, auto, clothing, and barber schools were the most popular. Everything is topsy-turvy now, and it is not known whether what used to be "surefire," what until now guaranteed a lucrative occupation in the future, will remain unchanged. Therefore, should one opt for a secondary school, that is, for waiting things out? After all, as far as trade schools are concerned, it is hard to predict not only whether specialists in a particular trade will be able to get a job several years from now but even... whether the school training them will still be around in the fall.

This problem affects enterprise-affiliated schools in which 200,000 young people study, or one-quarter of all students of basic vocational schools (a total of 1.5 million young people attend vocational schools in general—basic and secondary, enterprise-affiliated and "regents" schools). Recently, disturbing rumors have been appearing that here or there a school was closed overnight because, for example, the enterprise maintaining it had become involved in a joint venture, and the foreign partner did not like being burdened by the youngsters, that is, the students.

According to the explanations given to us in the Department of Professional Training of the Ministry of Education, nowhere has it yet come to young people being tossed out "into the cold." If such a problem surfaces, the board of regents of the voivodship in question should solve it with its own means. Certainly, they have been solving these problems, because no scandalous case of this nature has yet been reported.

However, this is not at all to say that nothing is going on. On the contrary, many enterprises are stating that they do not want to maintain schools anymore or that they will not admit students to the first grade this year, and will maintain the school until older grades graduate. This phenomenon is becoming common. For example, in Bialystok Voivodship only two enterprises out of those operating enterprise schools have not stated their desire to get rid of them or restrict admissions. According to the statements of others, this year 34 first grades will be missing. As of now, about 20 enterprises of the Warsaw board of regents have taken unfavorable positions regarding the operation of their schools. This is most frequent in the construction and plumbing trades. There is little construction going on; therefore, where are the students to train in their profession?

As enterprises report, there are two reasons for this behavior. First, there are financial difficulties. Operating a school is a burden on them. It is questionable whether it is really that big a burden because certain profit-tax relief is obtained by virtue of this, the cost of employing young people is reimbursed by the Labor Fund, and instructors receive their remuneration from the funds of the budget. Nonetheless, at present everyone is eager to save money. The enterprises have requested that fixed assets represented by the schools and the boarding houses not be included in the base of calculating the dividend, as well as that the tax on the growth of remunerations not be paid on the remunerations of school employees (not the instructors!).

The enterprises have a second argument anyway, even if this arrangement is actually accepted and if it alleviates their financial situation. Namely, it does not make sense to train new employees at a time when old ones are frequently laid off. Why promise them a job?

According to the Ministry of National Education, this is a shortsighted and hysterical response; after all, who can tell at present what is going to happen in a year or two? The trends could head up, the plant could introduce new technologies, and suddenly it could turn out that there are no employees trained for them. To be sure, there will be a line of unemployed in front of the gate. However, they will yet have to be trained, which takes time and money.

We cannot pretend that this problem does not exist, regardless of whether it is a problem this year only or for a longer while. So, the educational authorities adopted the principle that "every child will find a roof over his head." How? At first, they try to negotiate with the enterprises. Perhaps, some of them will come to their senses and recall that the graduates of their own schools are the best specialists. If this does not work, the board of regents which pays the salaries of instructors, at present anyway, will take over the school. Facilities belonging to date to the cooperative unions now in liquidation—the CZSP [Central Union of Labor Cooperatives] Samopomoc Chlopska will certainly be taken over.

Deputy Regent from Bialystok Jerzy Siwik said: "I am terrified by this situation. We will try to place as many students as we can in 11 'regent's' schools with workshops. Others will start attending general secondary schools. Anyway, it is going to be easier for us than for the voivodships which, according to instructions, have transferred to enterprises many schools which were maintained by the education system. In our voivodships, 25 percent of graduates of elementary schools attend general secondary schools. This is a more favorable share of secondary schools than in the country as a whole."

We may find solace in the fact that there is still an opportunity for positive consequences to result from all of this chaos, on the principle "every cloud has a silver lining." Is it not high time to make the system of vocational training uniform, and to clarify who is responsible for what and who pays for what, and give equal rights (scholarships, remunerations) to those maintained by enterprises and those dependent on the education system? Disputes over jurisdiction in this sphere frequently resulted exactly from financial considerations. Have the vocational schools not been (and are they not right now) a cuckoo's egg which they dump on each other? However, this uniformity should not be introduced on the principle of downward leveling and the democratic impoverishment of all....

A second benefit which the current situation may entail is as follows: It has been stressed for many years how improper our educational ratios are. As many as 80 percent of elementary school graduates end up every year in vocational schools at different levels. Too many have virtually no opportunity to pass secondary-school certification exams. An opportunity to change these proportions will now appear: This year, more students will embark on attending secondary schools.

It is beautiful. However, does this change come in a manner which can make us happy? Should it not represent the result of a thought-through concept rather than "squeezing it in with your foot?" Where will these students be squeezed in if virtually no secondary schools are being built? Will all of them be up to the curriculum of secondary schools? What is their professional future going to be?

Many such doubts come to mind. We may hope that at issue is only one year of transition. May this not be a wasted year in the biographies of many young people.

## ROMANIA

### Post-Ceausescu Economic Prospects Weighed

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[Article by Gabor Hunya: "Review—Romania's Economy After Ceausescu"—first paragraph is KULGAZDASAG introduction]

[Text] The following assessment of Romania's postrevolutionary economy is based on the author's personal experiences. Although the provisional government has withdrawn the extreme measures of the Ceausescu dictatorship, it has hardly changed the old centralized and state-controlled economic system. It purports to build a multiparty parliamentary democracy, while at the same time neglecting to work toward establishing a market economy. The introduction of popular but economically ill-considered measures are bound to lead to further indebtedness and inflation.<sup>1</sup>

### Uncertain Political Environment

The well-tested repressive mechanism of the Ceausescu system was able to maintain its grip on power for a long time. Already in the 1980's, when the emergency economic measures were first introduced, some were predicting the dictator's quick demise. In 1986, the leading Romania experts of the world held a conference on the prospects of the post Ceausescu era. The dictator finally fell after it became clear throughout Eastern Central Europe that the communist system had failed, and that its last bastion was hindering the new European settlement process. Internal discontent had grown into desperation after the repayment of foreign loans failed to yield any hope that the inhumane living conditions would improve. The budding crisis eventually bloomed into victory owing to some fatal blunders and poor decisions on the part of Ceausescu. After decades of weighing the possibilities, Romania's populace and outside observers suddenly found themselves faced with reality: The wrath of the people, joined by certain (military and civilian) members of the elite who had been excluded from power, swept away the Ceausescu system. New high-level leading bodies were formed, and new leading personalities emerged.

On 22 December 1989, the National Salvation Front Council assumed actual control of political power. In its statements it committed itself to building a pluralistic democracy. Although the elections originally slated for March have been postponed by two months with the consent of the opposition parties, the government continues to call itself provisional. The fact that it had only been intended to serve for three months has left its mark on its entire performance so far, both in passing decrees and in making economic decisions.

Of the two levels of Romania's economic crisis, the provisional leadership has chosen to address only one. I have been proven correct in my earlier assessment<sup>2</sup> that the chaotic and inhumane conditions created by the Ceausescu system merely represented the surface of the Romanian economic crisis, and that belying it were the symptoms of a general East European political crisis. Although the December revolution has swept away the ruling family, and destroyed the Communist Party together with the old mechanisms of state control and state security, at the levels only one step below, many of the leading personalities and apparatuses of the former era have been kept in place. The top leaders of the

National Salvation Front have themselves built quite a career within the party, and not until the second half of the 1970's did they fall from grace or turn against the dictator. Continuing to foster their Soviet ties, they represent the platform of cautious political change. The mood of the reorganized and newly formed parties and of the street, however, have forced them to resort to more drastic solutions.

Following the revolution, in January 1990, the economic committee of the National Salvation Front assumed control over the making of all far-reaching economic decisions. Named as its president was Alexandru Birlan-deanu, a representative of a group of economists who had come under a cloud in the early 1970's. He had been the president of the planning office in the late 1960's, when Romania was still toying with the idea of introducing certain economic reforms. Opposed to Ceausescu, he became known as a proponent of a more balanced economic development concept. In an article published in the 7 January issue of the daily *ADVARUL* (successor to the party paper *SCINTEA*) he made it clear that he supported the notion of a "socialist market economy," and that he considered any view asserting the need for privatization to be ill-considered.

In the area of implementation they have instituted a greater concentration of state control. The National Planning Office and the Material and Fixed Capital Management Office have been merged into a single National Economic Ministry. Left intact was the planning office apparatus under it, which has remained strictly committed to the preservation of a command economy. The new branch ministers are engineers, some of whom have not held any posts in the apparatus, and some of whom have held other positions of top management. With the exception of Deputy Prime Minister Kasimir Ionescu, there is not a single economist in the government.

For a while, the appointment to the post of minister of foreign trade of the highly experienced Nicolae Nicolae, who had been deputy prime minister in the same branch during the late 1960's, appeared to be a good move. He had served in the ministry during the period of credit-financed modernization and commercial openings toward the West. Later he was named ambassador to Washington, but in 1979, he was stripped even of his CC [Central Committee] membership.<sup>3</sup> His removal, however, was connected not with his disobedience toward Ceausescu, but rather with the sudden departure to the West of his immediate boss, intelligence chief Ion Mihai Pacepa.<sup>4</sup>

In mid-January, Nicolae was relieved of his post, and was shortly joined by another Securitate leader turned National Salvation Front member, Dimitru Mazilu. Despite these removals, the illegal organization of the secret police probably remains a powerful factor to contend with.

The National Salvation Front could not assume sole power, and as a party running in the elections, it cannot act as the country's sole legislative body until the elections. It would have had an opportunity to assume exclusive control in the wake of the demonstrations held at the end of January, but it chose not to do so. In early February, they formed the Provisional Council of National Unity in which the opposition parties and the Front have been given equal representation. Hence the Romanian transformation has reached a new phase. Following the order of events that characterized last year's changes in East Europe, the initial reform communist phase has given way to a coalition period which will lead to free elections. The Front's single-handed rule could be considered the reform communist period. The similarly typical "national roundtablelike" discussions leading to the coalition period has led to the coopting of the opposition into the government. There is no question, therefore, that the Romanian changes will also move beyond the conditions described in this article on the basis of direct experiences; it is difficult to predict, however, the extent to which the new leaders will be able to stabilize the postelection pluralistic system.

The still evolving political structure has not found the right economic system. The proponents of pluralist democracy apparently do not understand the concomitant necessity of switching to a market economy. Until the elections, this issue is not even expected to come to center stage, as no one expects the specter of economic collapse to hinder the redistribution of political power. That for now is guaranteed by the country's good credit reputation.

One of the economic effects of this still very volatile political situation has been the failure, in some factories, of production to commence in January. Many areas are plagued by daily protests, strikes, and rampant unexcused absences. This may be attributed to the unfinished character of the revolution, and to a lesser extent to a lack of disciplinary controls. The bureaucratic coordination that governed inter-enterprise ties has collapsed, or more precisely, its "new" organs, the branch ministries, have not had a chance to break in the mechanism. For now, instead of promoting the reconciliation of various interests, the general expansion of "enterprise autonomy" has only added to the chaos.

In this article I will analyze the prospects of economic change in Romania, and will examine some of the problems that country will have to face if a system change is not effected soon. Given the existing situation, one cannot write a scientific article in the traditional sense of the word. Instead of relying solely on printed data, one must also attribute an important role to on-the-scene experiences and consultations.<sup>5</sup>

#### Official Reassessment of the Economic Situation

There is general uncertainty among economic leaders and researchers as to the actual economic situation of the country, as in the final years of the Ceausescu regime the



distortions and baseless success claims were further intensified. As it turns out, there have been no real assessments even for the innermost circles. A committee has been established in the statistical office to recalculate and correct all published data. The distortions have stemmed from two sources. On the one hand, the price system has been far removed from actual costs and world market values, and on the other, data have been intentionally falsified. Since so far they have been unable to address the first cause, the recalculation also has to take place within the limits of the existing system. The enterprises, counties, and ministries are being asked to resubmit their factual and estimated figures for 1989; once compiled, these data will be made public in the form of a declaration.

According to the director of the Institute of Economic Forecasts (institute for economic planning) all of the data published for the 1980's have been manipulated, except the information pertaining to foreign debts and their repayment. In calculating the national income for 1985, he himself noticed a falsification as a result of which instead of the actual one-percent growth attained, a 5.2-percent increase was recorded. In his view, the real performance of the Romanian economy in the 1980's was probably stagnant. In light of the deterioration of quality throughout this period, this was also the opinion of the department head of the National Economic Research Institute.

The most detached from reality, however, were the data published for 1989. In the area of grain production, for example, they reported 60 million tons, or twice the size of the previous year's harvest. According to American estimates, the real figure was around 20 million tons, or the same as the output for the year before, although the most recent Romanian source has reported only 16.7 (HETI VILAGGAZDASAG, No. 2, 1990). Similar discrepancies have been found in the published yields of other plans as well. It is also conceivable, however, that the newly published data are also inaccurate, for it is difficult to believe that the Ministry of Agriculture would have bothered to maintain a double bookkeeping system; on the other hand, one could also argue that it now has a great stake in dramatizing the situation in the hope of attracting foreign assistance.

In view of drastically declining production over the past decade, the reported 9.5-million-ton crude oil output is considered feasible by Romanian experts. The reports submitted by the processing branches, however, are treated as products of the atmosphere of the November party congress. They point in particular to the overall low quality of these products, attributing it to a whole decade of neglected technical development, and the poor quality of the basic materials.

The great shock that has been expressed in connection with the previously distorted data of agricultural and industrial production is a bit difficult to justify in view of the fact that those who are the most surprised have themselves participated in planning those distortions.

Even more important to point out, however, is that some of the distortions have always been easy to filter out. So these new, long overdue statistics contain figures which in many cases are lower than those reported at the party congress or in the annual plan reports, and there is now even an official catalogue of losses on the basis of which one can assume that the results of economic production had not improved during the 1980's. Perhaps it was some kind of unfounded national pride that for years had fuelled the belief that the country was producing plenty of everything, but because of its export policies the populace was prevented from enjoying them. Only now that exports have been halted has it become clear to everyone that very few commodities have become available as a result. The use of an incorrect statistical basis may also stem from the neglect on the part of the planning and decisionmaking apparatus to implement needed reforms.

Of the complex mistakes of the previous structure policy, they are attempting to correct the most blatant ones. The National Economic Ministry estimates that in 1989, 40 percent of all investments were wasted on large-scale and useless projects. It has also been recognized that over the past few decades they have overdeveloped the basic materials industry, whose import material demand has become unaffordable for the country. The mass products churned out by the oil refineries, the steel industry, and fertilizer production are unable to attract buyers at an acceptable price. The basic materials industry has not developed new, more refined levels of processing, hence the available basic materials fall short of the needs of the processing industries. Earlier, popular consumption had been at the bottom of the priority list. Per capita domestic electricity use and meat consumption were the lowest in Europe. Unfulfilled basic survival needs, poor nutrition, and deteriorating medical care have been the most tragic legacies of the past. These are the areas where the new government hopes to bring about fundamental changes.

Also under criticism are the foreign trade officials of the old system for their corruptness and lack of expertise. I have seen data presented by the department head of the National Economic Research Institute which show that, compared with the price of Bulgarian products of comparable quality, Romanian agricultural and clothing industry products have been bought up by Western buyers at half price. Western merchants have been able to pocket several-hundred-percent profits just so that Romanian functionaries could also fill their pockets, or because the latter did not know the world market value of their products.

In 1989, exports and imports amounted to nearly 200 billion lei and 140 billion lei, respectively. These figures were nearly five percent higher than they had been the year before, while the balance surplus remained about the same. In the first half of 1989, according to partner statistics, the country's volume of trade with the developed capitalist countries showed a significant decline. Contributing to this may have been the so-called final



effort made by the regime in the first quarter to pay off its outstanding foreign loans, and the international isolation which by that time had also come to characterize the economy. At the same time it is also clear that even after the loans had been repaid, the regime continued to strive for a trade surplus.

**Table 1. Romanian-Soviet Trade**

|  | 1986    | 1987    | 1988    |
|--|---------|---------|---------|
| Romanian exports in millions of rubles             | 2,415.2 | 2,347.2 | 2,431.2 |
| Romanian imports in millions of rubles             | 2,823.3 | 2,539.2 | 2,344.1 |
| Petroleum imports in thousands of tons             | 6,444   | 4,695   | 4,020   |
| Meat and meat-product exports in thousands of tons | 163.4   | 136.1   | 155.7   |

Note: In 1982, petroleum imports were 450,000 tons and meat exports 90,300 tons.

Source: *Vneshnaya Torgovya SSSR, 1987, 1988*

The official picture presented regarding the breakdown of trade volume by trading bloc is also under review. Allegedly, the actual ratio of the socialist countries has been higher than the officially reported 50 percent, while the ratio of the developing countries was less than 25 percent. A two-thirds socialist ratio is being cited as a more likely figure. It should be pointed out that the above calculations have been made on the basis of distorted currency exchange rates that value the ruble

higher than the dollar. My own figures derived from comparing various sources, but primarily from IMF statistics, indicate a socialist ratio of around 50 percent by the mid-1980's.<sup>6</sup> Soviet statistics for the past three years show a slight decline in trade with Romania, which is not surprising in view of the drop in oil prices, and the lack of Romanian export commodities. Given these same conditions, it is unlikely that the socialist ratio would have increased after 1987. The figures that are truly uncertain are for the year 1989, for we still have no Soviet sources to verify them, although given the increase in overall volume and the drop in trade with the West they seem to suggest an increase in socialist turnover.

Unfortunately, statistics in Romania are viewed with such distrust that even the experts often believe that the numbers published abroad are almost as manipulated as their own, so it is difficult to verify the sources of data conveyed by word of mouth. The overestimation of the socialist ratio may be aimed at perpetuating the psychosis of threatened national existence. It is intended perhaps to prove that the country was not as independent as Ceausescu had claimed, which only adds to the dictator's list of crimes and calls for continued vigilance. It is quite probable that the direction of the revolution and the leaders who have emerged from it have reinforced the belief on the part of certain leading Romanian intellectuals that, both in military and political terms, Soviet influence will remain a basic determining factor of future East Central European developments.<sup>7</sup>

**Table 2. Romanian-Developed Capitalist Trade**

|   | 1987  | 1988  | 1st Half 1988<br>[as published] | 2d Half 1989 |
|---|-------|-------|---------------------------------|--------------|
| Romanian exports in millions of dollars | 4,068 | 4,032 | 2,118                           | 1,923        |
| Romanian imports in millions of dollars | 1,308 | 1,260 | 693                             | 546          |
| Balance in millions of dollars          | 2,760 | 2,772 | 1,425                           | 1,377        |

Note: Figures are based on monthly averages using mirror statistics. On the basis of the first half of 1989, the export surplus at the end of 1989 probably also exceeded \$2.5 billion.

Source: *OECD: Monthly Statistics of Foreign Trade, December 1989*

It is impossible to form a clear picture about how Romania had managed to pay off its outstanding Western debts by the end of the first quarter of 1989. In 1988, the country had earned \$2,772 million from its trade with the OECD countries, which leaves the source of some \$1.3 billion unknown. According to local information received earlier, the Arab partners were using oil to pay off their debts to Romania, which could be immediately turned into money. After the revolution there were rumors that the missing sum had been raised by selling off a part of the country's gold reserves. According to MTI's [Hungarian Telegraph Agency] Bucharest correspondent,<sup>8</sup> Ceausescu had received \$2 billion from Saudi Arabia for the training and entertainment of Arab terrorists, parts of which he used to pay off the remaining debt.

#### New Ratios of Stockpiling and Consumption

Until the completion of an official assessment of the situation that will enable it to think farther ahead, and until the issue of political legitimacy is clarified by way of parliamentary elections, the Provisional Council of National Unity will continue to work according to a temporary economic program. This program includes measures aimed at laying the groundwork for certain essential structural changes and production to begin, and at improving supplies to the populace.

One of their first measures has been to suspend construction on all projects built on the basis of presidential improvisation, rather than on detailed plans. They will

be preserved until a decision is made regarding a possible new function. Accordingly, they have suspended work on the Arges river control project which Ceausescu had initiated with the hope of creating a navigable channel between the Danube and Bucharest. The new plans call for a scaled-down program for completing the construction sometime in the future, that will limit the scope of the project to water control and irrigation considerations, abandoning the navigation concept altogether. The construction of the Bucharest city center has also been suspended, and so far no decision has been made about the future of the buildings already completed. The workers assigned to the project have been redeployed to repair the buildings damaged in the fighting. Exclusively environmental considerations will be used in trying to reverse the effects of the mistakes made in the course of draining the Danube Delta. According to the deputy minister of the economy in charge of investments, who earlier had been National Council vice president in charge of overseeing these giant construction projects, the construction projects halted represent 25 to 30 percent of the 1989 investment budget. Most of this money has already been withdrawn from the investment fund. As a result, the stockpiling rate has been reduced from 30 to 18-20 percent.

They have also halted, or limited, the scope of several energy and import-intensive factories, as well as plants that were producing unsalable products. Capacity utilization in the machine industry has dropped to 60 percent, and in metallurgy to 80 percent. Coal mines represent a special problem, in that in the past they employed mostly soldiers and forcibly relocated people. Since the army has been recalled to its barracks and those brought in from afar have been allowed to return home, the Oltena lignite mines are missing 40 percent of their work force. On the national level, the talk is mostly about unemployment, which with the changing production structure will only become more acute. The government nevertheless hopes that in the long run agriculture, the service industries, and the handicrafts sector will be able to absorb the excess manpower. At the same time it could not have been by accident that one of the first measures passed, just as many factories stopped producing, had to do with wage levels. (If an employee is told to go to work, but once there he is unable to produce, he is entitled to 75 percent of his average wage, and if he stays home during the stoppage, he gets 50 percent of his pay.<sup>9</sup>)

At the end of February, they announced the economic results for January. Compared with the same period the year before, the production of industrial goods had declined by 12 percent, while popular consumption had increased by seven percent. Hard currency exports had dropped by 41 percent, and imports had risen by 10 percent. Ruble-based exports had been off by 23 percent, while imports had decreased by 19 percent.

Energy and raw-material savings resulting from production cutbacks have been redistributed to satisfy the needs of the populace. Priority has been given to providing the

long-suffering masses with food, electricity, and heating energy. District heating and hot water service have resumed, and all restrictions on the availability of electricity, gasoline, or meat have been removed. In Bucharest the supply of foodstuffs had dramatically improved in January, as milk, eggs, cold cuts, coffee, and tropical fruits had become regularly available. The lines are long, but now there is reason to wait. In the provinces improvements have been less dramatic; imported products there are still unavailable and rationing is still in place.

Foreign trade has been reoriented to satisfying the needs of the populace. Earlier food imports had been forbidden, even if they had been intended to compensate for otherwise unsalable Romanian products. Now it is all right to trade overland vehicles for oranges and lemons from Greece. Vietnam is paying off its debts with tropical fruits. With the Soviet Union an agreement was made to replace the meat originally intended to be traded for oil in the first quarter of 1990, with wine and other alcoholic beverages. The remainder of the year, however, will still have to be renegotiated.

In the first quarter of 1990, they are planning to import 140,000 tons of meat, much of it from Hungary. Chemical fertilizer exports have been suspended, and \$350 million have been allocated for the importing of mixed fodder. The balance of payments deficit resulting from these agreements amounts to \$460 million. This means that by the end of the year, the deficit may reach as much as \$2 billion. If the current negotiations with various international financial organizations and banks will quickly lead to a normalization of relations, then financing this deficit will not cause any problems. The leaders of the Economic Ministry do not look upon increasing the country's loan obligations as a long-term solution; they would prefer to attract operating capital. Clear ideas about how to proceed in this area, however, are rather scarce, and the expectations expressed are without basis. The apparent determination to satisfy long-unfulfilled consumer demands is expected to lead to rapid indebtedness.

#### Steps Taken To Free Up Private Initiative

Agriculture offers the dual prospect of relatively quick successes and unexpected problems. The peasants' household plot leasing rights have been expanded to 0.5 hectares if located on the plain, and to one hectare in hilly areas. The regulations specify that the peasants are not allowed to employ hired labor, which is a typically "socialist" notion. Even so, in the overpopulated foothill villages of the Carpathian mountains this redistribution is bound to lead to the breakup of cooperatives. There are villages around Kolozsvár [Cluj] where without waiting for any decrees, the peasants have spontaneously redistributed the land already, taking all of the livestock home as well. They could do so because they had the empty facilities to house the animals; the question is how they will be able to till the land without the necessary equipment for small-scale farming.

As for making large-scale farming more efficient and more democratic, the ideas are still rather vague. One pressing task would be to transfer the equipment of the machine and tractor stations to the cooperatives; however, this still remains to be worked out in practice. Effective 1 January 1990, state farms with outstanding liabilities at the beginning of 1989, were allowed to write off their debts. Getting to the root of the problem, however, would require improvements in the profitability of the branch as a whole, but the proposed price increases are making this impossible. It is typical of the problem that while in 1989, the agricultural sector was piling up 20-25 billion lei in debts, the food industry was contributing 70 billion lei in profits into the budget. In 1990, the budget will attempt to reduce the financial obligations of cooperatives. Central funds will be used to finance plant protection, so the county enterprises specializing in this field will no longer have to be paid for their service; at the same time, the cost of incentives will also be reduced. This, of course, will further diminish the cost sensitivity of the economy. In a return to previous practice, budgetary funds are being used once again to cover the centrally determined wages of top-level experts. One of the negative effects of this move is that they have recreated the problem of having experts who, instead of becoming integrated into the cooperatives, serve as representatives of the state.<sup>10</sup>

They have abolished the requirement of mandatory contracts for both family farms and producer cooperatives. The still changing state purchase price system is no longer differentiating according to pledged quantities per hectare, but according to characteristics of the local habitat. Average delivery prices have risen by nearly 50 percent, although they still fall significantly short of free market prices. Today's situation is similar to the one in 1957, after the abolition of compulsory deliveries. The state is relying on its monopoly of control over machinery, artificial fertilizers, fodder, pasture use, etc. in forcing small producers to sell at the centrally dictated contractual terms. All laws pertaining to autarchy and restrictions hindering retail trade have been abolished, and prices have been deregulated.<sup>11</sup> Owing to a general shortage of goods during the winter, and to some initial distrust, there were no increases in supplies at the peasant markets, hence it is still difficult to predict the kind of prices we are going to see. At the Kolozsvár market, the peasants have been selling eggs for four to five lei a piece for some time now, ignoring the officially set price of 1.5 lei, and that price continues to hold. The policymakers have failed to factor in the increasingly huge inflationary pressures, despite the fact that according to a member of the financial research institute, inflation this year may reach as high as 40-50 percent.

On the demand side, these inflationary pressures have been further aggravated by accelerated payments of unsupported wages. Not only did they pay December wages in full despite the fact that the revolution had brought production to a halt, but they also returned any wages that might have been withheld throughout 1989.

Under the provisions of the earlier wage system, wages were paid in accordance with the extent to which the enterprise had fulfilled the plan, hence in some months they might have withheld as much as 20-40 percent of the workers' wages. During the last week of the year, they paid out all arrears in by lump sum. Also released were payments withheld from the producer cooperatives by the state under various pretexts. The enterprises, in turn, were returned most of the moneys they had been forced to pay in fines on different grounds. What appears to make these kinds of reductions in budget revenues possible is the fact that generally, including probably in 1989, the budget has shown a sizeable surplus, due, of course, in part to the method of calculation used. Among the rescinded decrees, they eliminated the mandatory worker share purchase requirement, which means that within three years these involuntary savings will also be released.<sup>12</sup>

A more radical, although in its details still incomplete, platform is the agricultural program proposed by the country's largest opposition party, the National Peasant Party. Its aim is to make it possible for anyone who wants land to get land, and to ensure that the remaining producer cooperatives function as true cooperatives. It calls for the organization of a free market and the establishment of purchasing-marketing cooperatives. In general, the main goal of this party is to switch to an economy based on private property, although in industry it prefers to foster worker self-management which it believes will take about 10 years to put in place.

At the end of January, there were a few days, after the National Salvation Front had announced that it would run in the elections, when it appeared that the revolution would be stymied at the level already attained. As a result of still unclear but definite inside and outside pressures, the opposition parties have finally been included in the legislative process. Perhaps not by coincidence, the very first decree issued in the wake of this move reestablished the right to form private businesses. The number of people such ventures may employ may not exceed 20, which, while obviously a useless restriction, is not perturbing as an initial step. Most of these businesses are solely, family, or partnership-owned ventures formed to perform productive or service activities, including in the foreign trade sphere.

### Changing the System of Economic Management

#### *Measures and Ideas*

The ideas to be presented here were proposed during the power consolidation period of the National Salvation Front, but they characteristically apply to those leading party and research institution circles who have been strengthened in their former positions by the new power.

The prevailing view in economic management today is that with the elimination of political distortions and rude interventions, it has finally become possible to properly run a planned economy. Building a market economy is not considered to be a realistic goal. In the

short run the focus is on ridding the functioning of the economy of the excesses of the Ceausescu era, and abolishing the measures of the past few years.

Workers have become free to move and choose their places of work. Producer prices are once again determined according to the practices that had been in place prior to the issuing of Decree No. 14 and Decree No. 154/1988. (These had prescribed that every activity had to be made profitable, and even specified the small profit margin that could be attained after expenses. Benefitting most from this were the less efficient enterprises that ended up getting most of the redistributed resources, while the relatively freely usable revenues of the more profitable areas were effectively eliminated. Added to this was the regulation forbidding enterprises to pay with cash.) The difference between fixed prices and production costs is again considered legal income for the enterprise. They have made it possible to set aside, and within certain limits freely use, decentralized investment funds. (Earlier all investments required approval by presidential decree.) It appears that they have succeeded in finding a more complicated system than we did in Hungary 20 years ago.<sup>13</sup> So far there has been no talk about employing economic regulators. Instead of using prices and credit interests to choose from among various investment demands, the National Economic Ministry wishes to play more of an advisory role, because it already sees that investment demand will far exceed the level which the national economy could tolerate. Of the existing 2,000 material balance specifications, henceforth only 400 will have to be taken into account, which is only a simplification on paper.

In the words of the director of the Forecasting Institute, the aim of this economic transformation is to bring about a "shift from a monopolistic-dictatorial economy to an optimal system, geared toward meeting human needs." It will take a reform period of two to three years before such an "optimal and people-centered" economy can become a reality. His plan calls for a unique combination of plan and market. They are talking about a mixed economy, as far as the relations of ownership are concerned, but they only intend to give a very limited role to domestic private capital. As we have seen, the intention is to bulwark private enterprise with several purportedly rational restrictions. Although the conditions for attracting foreign capital are far from being in place, some are already talking about optimal ratios, and the danger of selling off the national wealth. In rejecting the foreign loan option, they are actually in agreement with the fallen dictator, although for now they can suggest nothing better than to invite foreign financing for their consumption promoting measures. It is simpler to state that they prefer to invite operating capital instead of resorting to loans to finance various modernization goals than to establish the conditions necessary to attract such capital. The Romanian experts obviously have not had the opportunity to monitor the experiences of the East European reforms; they have not even engaged in debates, hence they entertain illusions akin to those held

by Hungarian reformers in 1957. Faced with what at this point one could describe as rather disheartening shortages and economic disparities, even supporters of a market economy have been afraid of initiating expedient changes.

Also on the rise, however, is a new generation without illusions about the reformability of planned economies, which is prepared to advocate the central role of money. So far they have not been able to make their voices heard in the official hierarchies, and it is hard to tell what political movements they represent. The first five issues for 1990 of the economic weekly (TRIBUNA ECONOMICA) available as of the writing of this article, have all been dominated by discussions of problems, and have contained very few concepts and recommendations pertaining to their solution.

#### *The Possibility of Recovery*

It is conceivable that we will see more radical views emerging, as political life continues to evolve toward pluralism. Large-scale personnel changes after the elections may open the way not only for some of the less discredited experts, but also before economists who have discarded all illusions regarding planned economies. Before modernization can begin it will be imperative to establish an environment suitable for attracting foreign capital, and to build a market economy. In this area, Romania must remain competitive with the other East European countries if it wants to receive its proportionate share of the credits and benefits offered.

Looking past the present political situation, the prospects of economic stabilization do not appear to be bad at all. The fact that the country has repaid its Western loans may also yield some benefits, in that it offers a good basis for inviting foreign capital to help finance the recovery and structural transformation. Already a year ago, the Ceausescu regime had also received Western offers to this effect, but it chose not to take advantage of them. Inasmuch as the country succeeds within the next one to two years in establishing an economic system that can provide a profitable environment for imported capital and technology, modernization can begin.

The chances of modernization are somewhat worse in the overdeveloped basic materials industry. Given the extent of its import dependence, energy intensive structure, and capital requirements of transformation, this branch probably cannot be made competitive. Although the light industry does not belong among the expanding segments of the world economy, Romania may be able to boost its market share. Already, this sector has made up one-fourth of the country's developed capitalist exports, and has significantly contributed to its debt repayment efforts. In furniture manufacturing and the clothing industry there are strong production traditions on which to rely. The by East European standards very cheap, and to some extent skilled, labor force is not in a bad position

for international competition. Certain factories of the machine industry may also be included in the international division of labor.

In the areas of technical development and skill training, there is an equally great need to reverse the damage suffered over the past decade. One way of doing this would be by reaching back for solutions to the market and human relations of the past. There is a generation of the intelligentsia which between the mid-1960's to the mid-1970's had been allowed to study in the West, and to acquire both professional and social knowledge. Several members of the National Salvation Front Council, including the prime minister, Petre Roman, are also members of this professionally competent and multilingual generation, and the opposition has also attracted many of its representatives. They will not have an easy task in standing up to the prevailing populist-nationalist views, whether they are voiced by the communists or by certain other historical parties. The current European political environment, however, favors those with pro-Western ideals, while moving toward traditional forms of social consciousness can only lead to the revival of nationalism. In the economically and culturally disparate regions of the country we can expect different levels of development. In many of the ethnically mixed areas of Transylvania, national conflicts have become acute. Temesvar [Timisoara], however, has chosen the road toward peaceful Europeanization. If nowhere else, at least in Temes County they are calling for accelerated privatization, economic autonomy, and an influx of foreign capital.<sup>14</sup>

### Hungary—Transit Country

The key hindrance to Hungarian-Romanian collaboration has been the CEMA cooperation system. The volume of trade between the two countries has been small, although in the case of specific items (vehicles, machine tools, certain chemical products) it has been notable. Owing primarily to the difficulties of our Romanian partners in meeting their obligations, the volume of mutual deliveries has been 20 percent below what had been called for in the protocol. Our 600-million-ruble volume closed with a Hungarian surplus of more than 35 million rubles. The 50-million-ruble Hungarian balance of payments surplus registered at the end of the year also increased to 80 million forints in January. As in the case of some of our other partners, this may be attributed to the excessive export orientation of our Hungarian enterprises and to a lack of central controls; also contributing to it has been our desire to provide quick assistance. In 1990, this relationship will also feel the effects of the curtailment of Hungarian ruble-based exports. The possibilities of expanding our dollar exports, however, will be all the greater. As part of the Romanian living standard enhancement measures, we will have an opportunity to export large volumes of Hungarian meat for hard currency. Other possibilities include exports of industrial commodities, such as televisions and buses. The products, therefore, are there, as is the renewed Romanian desire to buy; all that remains to be done is to

work out the clearance problems. By making a thorough effort, Hungarian importers will be able to find products in the Romanian market that can be used to replace Western imports.

If Romania should also move to decentralize its foreign trade activities and to liberalize foreign capital investment, conceivably Hungarian private firms will also be there to deal with partners with whom they will not even have a language barrier to worry about. It would be worth exploring the possibility of setting up a joint duty-free region, let us say between Nagyvarad and Debrecen, or of joining Temes County's efforts toward this end. The main goal of such a move would be to bring in Western investors.

For Romania, Hungary is the most important transit country in terms of products, people, and ideas. As a western neighbor, Hungary is located on the transportation route of Romanian products and people. On Hungary's part this will require preparation to cope with the expected added burden on its transportation system. The extent and effects of shopping tourism may soon reach the levels experienced on our Soviet border. This, in turn, will require urgent steps to work out noncommercial means of payment. The Hungarian surplus could, for example, be converted into shares in Romanian assets, i.e., in beachfront hotels.

Besides the Romanian elite intelligentsia, with its direct ties to Paris, the Hungarian population (and the remaining German ethnic enclave) represents the Western-oriented wing of Romanian society. Its task will be to serve as a conduit for Western values. Hungary's economic reforms and its relatively high quality supply of goods have, rightly or wrongly, made an enormous impression, also capturing the attention of the Bucharest economists. This interest could also serve to strengthen the ties between our two countries and peoples.

### Footnotes

1. An earlier version of this study will soon appear in a book edited by me, entitled "Romania 1944-90—gazdasag-es politikatortenet" ["Romania 1944-90—An Economic and Political History"], in Medvetanc Publishers' "Atlantis Books" series.
2. See Hunya, Gabor, "A gazdasagi stabilizacio feltetelei Romaniaban" ["Conditions of Economic Stabilization in Romania"], KOZGAZDASAGI SZEMLE, No. 2 1989. (This article presents an analysis of the situation of the Romanian economy at the end of 1988.)
3. Shafir, Michael, "The New Romanian Government," REPORT ON EAST EUROPE (Radio Free Europe) Vol. 1, No. 2, 12 January 1990.
4. Pacepa, I.M., "Red Horizons," Regnery Gateway, Washington, D.C. 1987. (Hungarian title: Voros Horizontok. Akademia Publishers, Budapest, 1989.)

5. I have used the materials of the consultations we have jointly conducted with Tamas Reti. The report about our experiences was published in HETI VILAGGAZDASAG, No. 5, 1990.
6. Hunya, Gabor, op. cit. 1989.
7. From the speeches of leaders of the Bucharest-based intellectual group "Dialog Social," delivered at the Hungarian Foreign Affairs Institute on 25 January 1990. See LIMES No. 1, 1990.
8. Oltvanyi, Otto and Oltvanyi, Tamas, "A veg" ["The End"], Szfera, 1990, p. 69.
9. CURIER ECONOMIC-LEGISLATIVE, No. 4, 1990 (supplement to TRIBUNA ECONOMICA).
10. See Hunya, Gabor, "Feszultsegi pontok a roman mezogazdasag szervezeti es iranyitasi rendszereben" ["Points of Tension in Organizational and Management System of Romanian Agriculture"], Medvetanc, No. 4, 1986-No. 1 1987.
11. CURIER ECONOMIC-LEGISLATIV, No. 3, 1990.
12. CURIER ECONOMIC-LEGISLATIV, No. 5, 1990.
13. CURIER ECONOMIC-LEGISLATIV, No. 5, 1990.
14. "Temesvari Kialtvany, 1990 marcius 11" ["Temesvar Declaration, 11 March 1990"], ROMANIAI MAGYAR SZO, 14-15 March 1990.

## GERMAN DEMOCRATIC REPUBLIC

**Growing Unemployment Cited, Remedies Considered***90GE0184A Dresden SACHSEN-SPIEGEL in German  
25 May 90 p 7*

[Editorial by Heinz Weise, deputy editor in chief of SACHSEN-SPIEGEL: "Avoid the Problem or Find a Way Out?—Retraining as a Means of Combatting Unemployment"]

[Text] Has the mood in the GDR changed? Has unification euphoria turned into uniform antipathy? Will another turning point in May possibly follow the one in October? And do the afternoons even sense the morning air?

That would be bad...because everything would then become even worse than it already was. Hopefully, teachers, farmers, and construction workers will take that into consideration when they march on parliament, obstruct freeways and call for a general strike. In one sentence: when they demand salary increases, possession of nationally owned property and of jobs in spite of that and in view of the currency, economic, and social union on the horizon. One must understand us correctly: Who does not understand the displeasure and the worry that teacher salaries in this country are below those in the West or that the farmers' existence is endangered because of the West German flood of natural produce and that many employees are still without work after company bankruptcies?

The news that the number of unemployed GDR citizens who applied for job placement assistance increased in April to 64,948 and thus clearly spiraled compared to the prior month—specifically by 26,635—is still new. By the way, the greatest increase was seen among the 36,000 job-seeking skilled laborers and the 16,000 trained and unskilled workers. Employment offices were, in fact, able to immediately place 17,968 job seekers—in other words, more than one-quarter of the unemployed citizens—in a new job in the same month. However, the number of available jobs clearly decreased again—to a total of 73,558 at the end of the month—at the same time.

Thus, the number dichotomy between the unemployed and vacant jobs widened even farther. This begs the question if this will continue in this manner and where it will lead. Guenther Hollman, employment office director of the Dresden district to date, answered this question a few days ago for his territory without any illusions: "The number of unemployed," he said, "will continue to increase in the next few weeks and will

possibly reach dimensions of 50,000 to 80,000 by year end." A considerable quota of unemployed—988 citizens out of 3,680—was, in fact, immediately placed again in April in the third largest district of the country, but the number of jobs companies registered as vacant continues to decline here, too.

Like elsewhere, too, more factories closed in the interim or slowly but surely headed for bankruptcy after the closing of the well-known "Elbflorenz" candy factory that already took place weeks ago. Like the nationally-owned company "Dresdner Pentacon Kamerawerk," which is steeped in tradition and whose 6,000 staff members are threatened with bankruptcy after the currency union. This is caused by the elimination of government subsidies which would increase the production costs of a camera to one third more than the profit achieved from the future sale of a camera. Since cooperation negotiations with approximately 50 western companies to date, including the Japanese photography concerns, Nikon, Minolta, and Chinon failed, factory management now sees its only salvation in an appeal to the government to continue payment of subsidies for the time being. Now it comes full circle: Thus, the government then sides not only with the textile manufacturing employees in Oberlausitz and Chemnitz and the farmers in Boerde who also want to have additional subsidies and production opportunities, but also against the market economy.

How, one wonders, is it supposed to function, if production and supply were to continue; something one supports hereafter although it is of no value to anyone? In other words, it cannot be held responsible for 40 years of irresponsible centrally managed economy. It is not at all to blame for more than 50 percent of companies here being technologically outdated and incapable of putting goods and products with contemporary prices, technology, and design on the market. One already justifiably hears Pentacon employees, farmers and textile industry workers saying, "But it is not our fault either. We are the victims."

Yes, as difficult as it sounds, we are, in fact, victims once again. At least for the present. For the goal sought by all of us—a better life—is at the end of a path laden with sacrifices that most certainly still lies ahead of us. And we will only achieve it if we consistently and vehemently struggle for it and rely less on ongoing subsidies from our coffers that do not get to the bottom of the previous mismanagement or even with exclusive subsidies from other coffers. On the contrary: this can be achieved more readily by converting to a market economy and initiating retraining and continued education programs as well as by manufacturing new products and thus concurrently resisting central management economists that are still active.

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